State of Georgia

Comprehensive Annual Financial Report

Prepared by
State Accounting Office
December 30, 2011

Fiscal Year Ended June 30, 2011

Georgia State Capitol

Atlanta is the fifth permanent capital city of Georgia. Construction began in October 1884, and the building was completed in 1889. Governor John B. Gordon dedicated the new Capitol on July 4, 1889, to “the indomitable will of the people.”

During National Historic Preservation Week in 1977, the Capitol was dedicated as a National Historic Landmark. National Park Service of the Department of Interior cited the Capitol as an outstanding structure both architecturally and historically.

The Capitol is open to the public Monday—Friday, 8:00 a.m. to 5:00 p.m. Guided tours are available.

For additional information on this site, please visit http://sos.georgia.gov/.

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State of Georgia

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Introductory Section

State Accounting Office of Georgia
Fiscal Leadership for Georgia

Nathan Deal
Governor

Greg S. Griffin
State Accounting Officer

200 Piedmont Avenue 1604 West Tower Atlanta, GA 30334 Phone (404) 656-2133 Fax (404) 463-5089

December 30, 2011

The Honorable Nathan Deal, Governor of Georgia
The Honorable Members of the General Assembly
Citizens of the State of Georgia

It is my privilege to present the *Comprehensive Annual Financial Report* (*CAFR*) on the operations of the State of Georgia for the fiscal year ended June 30, 2011, in accordance with the *Official Code of Georgia Annotated*, Section 50-50b-3(7). The objective of this report is to provide a clear picture of our government as a single comprehensive reporting entity.

This report consists of management's representations concerning the State of Georgia's finances. Management assumes full responsibility for the completeness and reliability of the information presented. This report reflects my commitment to you and to the financial community to maintain our financial statements in accordance with Generally Accepted Accounting Principles (GAAP) applicable to governments as prescribed by the Governmental Accounting Standards Board (GASB). Information presented in this report is believed to be accurate in all material respects, and all disclosures have been included that are necessary to enable the reader to obtain a thorough understanding of the State's financial activities.

The CAFR is presented in three sections: *Introductory*, *Financial* and *Statistical*. The *Introductory Section* includes this transmittal letter and organization charts for state government. The *Financial Section* includes the State Auditor's Report, management's discussion and analysis (MD&A), audited government-wide and fund financial statements and related notes thereto, required supplementary information, and the underlying combining and individual fund financial statements and supporting schedules. The *Statistical Section* contains selected unaudited financial, economic and demographic data on a multi-year basis that is useful in evaluating the economic condition of the government.

Internal Control

The State's management is responsible for the establishment and maintenance of internal accounting controls which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and financial transactions are properly recorded and adequately documented, and to ensure the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management.

Independent Audit

The financial statements of the organizations comprising the State reporting entity have been separately examined and reported on by either the State Auditor or independent certified public accountants. The State Auditor performed an examination of the accompanying financial statements for the State of Georgia and has issued an unqualified opinion on the State's Basic Financial Statements included in this report. The State Auditor's opinion is included in the Financial Section of this report.

Federal regulations also require the State to undergo an annual "Single Audit" in conformance with the Single Audit Act Amendments of 1996 and the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Information related to the Single Audit, including the schedule of expenditures of federal awards, audit findings and recommendations, summary of prior audit findings, and the State Auditor's report, is issued in a separate report and will be available at a later date.

Management's Discussion and Analysis

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the Basic Financial Statements in the form of MD&A. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the independent auditor's report.

PROFILE OF THE STATE OF GEORGIA

The State of Georgia, founded on February 12, 1733, was the last of the original 13 colonies and became the fourth state by ratifying the U.S. Constitution on January 2, 1788. Georgia is an economic hub of the southeast. Atlanta, the state capital, is the major economic and population center of the state with major regional economic and population centers in Augusta, Savannah, and Macon. Georgia's economic base is diverse with major port facilities on the coast, agricultural resources throughout the state, manufacturing and service industries, and is a major transportation hub with one of the busiest airports in the nation. Georgia is the ninth largest state with an estimated population of 9.7 million people.

Reporting Entity

The *Constitution of the State of Georgia (Constitution)* provides the basic framework for the State's government, which is divided into three separate branches: legislative, executive, and judicial, as shown on the organizational chart on page viii. The duties of each branch are outlined in the *Constitution* and in the *Official Code of Georgia Annotated.*

For financial reporting purposes, the State of Georgia's reporting entity consists of (1) the primary government, (2) component unit organizations for which the primary government is financially accountable, and (3) other component units organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Further information about the State's reporting entity can be found in Note 1.B. to the Financial Statements.

The State and its component units provide a full range of services to its citizens, including education, health and welfare, transportation, public safety, economic development, culture and recreation, conservation, and general government services. The financial statements present information on the financial position and operations of state government associated with these services as a single comprehensive reporting entity. Accordingly, the various agencies, departments, boards, commissions, authorities, and funds and accounts of the State that have been identified as part of the primary government or a component unit have been included in this report.

Budgetary Control

The *Constitution* requires that budgeted expenditures not exceed the estimated revenues and other funding sources, including beginning fund balances. Annually, the Governor submits a balanced budget by program to the Legislature. In addition to the internal controls previously discussed, the State maintains budgetary controls to ensure compliance with the legal provisions of the State's Appropriation Act, which reflects the Georgia General Assembly's approval of the annual budget. Budgetary control is maintained through a formal appropriation and allotment process.

The State's annual budget is prepared on a statutory basis which is principally the modified accrual basis utilizing encumbrance accounting. The State monitors spending activity to ensure that expenditures do not exceed appropriated amounts by agency at the legal level of control as provided for by the *Constitution*. Information regarding the State's budgetary process can be found in the Notes to Required Supplementary Information within this report.

The statutory basis of accounting required by State law differs materially from the basis used to report revenues and expenditures in accordance with GAAP. Detailed information on the statutory basis of accounting and the results of operations on that basis for fiscal year 2011 can be found in the *Budgetary Compliance Report (BCR)* separately issued on November 18, 2011.

Budget Stabilization

The State maintains the Revenue Shortfall Reserve (RSR) which provides for the sound management of excess revenue collections in any given fiscal year. By statute, all surplus state funds existing at the end of each fiscal year shall be reserved and added to the RSR. Funds in the RSR carry forward from fiscal year to fiscal year without reverting to the revenue collections fund within the General Fund at the end of a fiscal year. Each fiscal year, the General Assembly may appropriate from the RSR an amount up to one percent (1%) of the net revenue collections of the preceding fiscal year for funding increased K-12 education needs. Also, the Governor may release for appropriation by the General Assembly a stated amount of reserve funds in the RSR that are in excess of four percent (4%) of the net revenue collections of the preceding fiscal year. The RSR cannot exceed fifteen percent (15%) of the previous fiscal year's net revenue collections. Additional information about the State's RSR balances can be found in MD&A.

ECONOMIC FACTORS AND OUTLOOK

Introduction

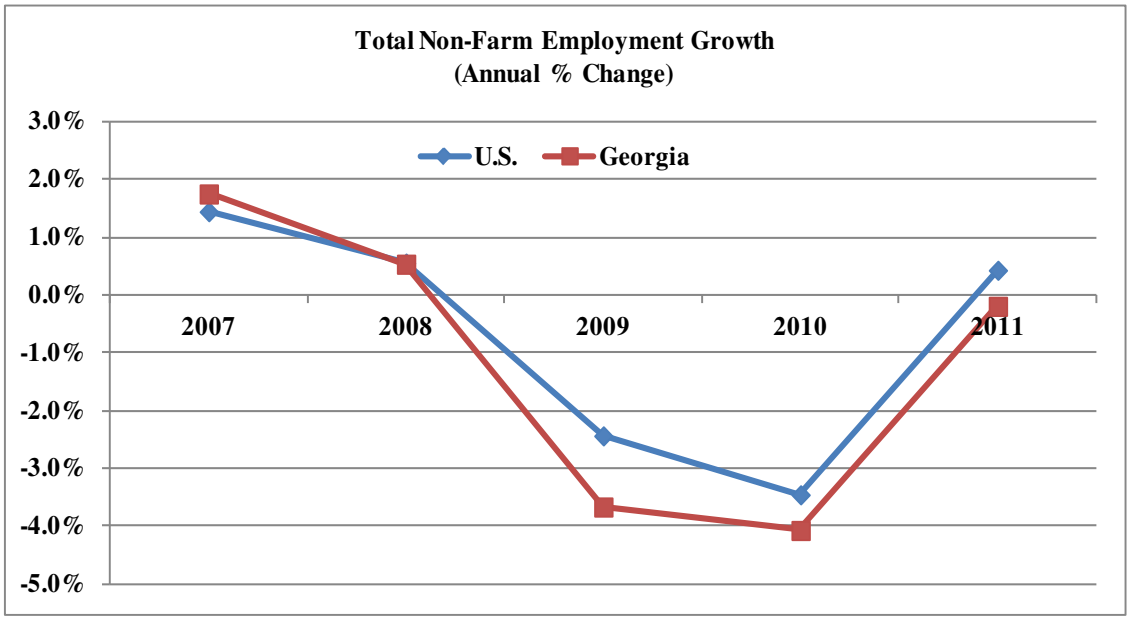
According to the State's Fiscal Economist, who prepared this section describing recent developments in the Georgia economy, the national and Georgia economies continued to feel the effects of the Great

Recession in fiscal year 2011. The Great Recession, so-called due to the fact that it was the most severe economic downturn since the Great Depression, began in December 2007 and ended in June 2009. Since then, the pace of economic recovery has been relatively weak. A variety of factors have weighed on economic growth. Housing markets still face high foreclosure rates, weak sales volumes, and declining values. Consumer spending is growing but households have increased savings rates in response to the drop in home values and the loss in equity values that occurred during the Great Recession. This has held consumer spending growth below rates experienced in more typical recoveries. Business and consumer confidence have suffered due in part to the contentious U.S. debt negotiations and the financial turmoil associated with the sovereign debt crisis in Europe. The following summary reviews some of the key economic trends in Georgia during fiscal year 2011 relative to U.S. performance.

Employment

Figure 1 shows annual employment growth in the U.S. and in Georgia for the last five fiscal years. Georgia's total non-farm employment decreased by 7,000 jobs or 0.2 percent in fiscal year 2011 compared to fiscal year 2010. In contrast, total non-farm employment grew by 0.5 percent in the U.S. In fiscal year 2007, Georgia employment grew faster than U.S. employment, but as the recession became more severe in fiscal year 2008, Georgia employment growth slowed and then turned negative in fiscal year 2009 and fiscal year 2010. In these latter two years, the decline in Georgia employment was significantly worse than the decline in U.S. employment. While the U.S. employment growth turned positive in fiscal year 2011, Georgia's employment growth remained slightly negative.

Figure 1



Source: U.S. Bureau of Labor Statistics

Figure 2 lists the employment level in Georgia by major industry sector over the last five fiscal years as well as the change in employment from fiscal year 2010 to fiscal year 2011, both in levels and in percentage terms. The percentage change in U.S. employment is also presented for comparison purposes.

Figure 2

	Non-Farm Payroll Employment in Georgia (000s) Fiscal Year					Change FY 2010 to FY 2011		
						Georgia		U.S.
	2007	2008	2009	2010	2011	(000s)	%	%
Total Non-farm	4,123	4,145	3,993	3,831	3,824	(7)	-0.2%	0.5%
Private	3,456	3,463	3,300	3,147	3,157	10	0.3%	1.0%
Mining and Logging	12	11	10	9	9	(0)	-0.2%	10.1%
Construction	222	215	185	154	142	(12)	-8.0%	-2.6%
Manufacturing	439	423	384	346	347	1	0.3%	0.8%
Trade Transportation and Utilities	880	886	845	809	810	1	0.1%	0.5%
Information	111	110	107	102	100	(2)	-1.8%	-1.8%
Financial	232	229	218	207	199	(8)	-3.7%	-0.8%
Professional and Business Services	557	566	530	511	528	18	3.5%	2.5%
Education and Health	451	465	473	481	490	10	2.0%	2.1%
Leisure and Hospitality	391	397	386	374	376	2	0.5%	0.9%
Other Services	160	161	159	154	155	1	0.4%	1.5%
Government	667	682	694	684	666	(18)	-2.6%	-1.4%

Source: U.S. Bureau of Labor Statistics
Note: Details may not add

Figure 2 highlights the drop in employment that has occurred in Georgia due to the Great Recession. Total employment peaked at 4.1 million jobs in fiscal year 2008 and fell to 3.8 million jobs in fiscal year 2011. During that period, every major sector except education and health suffered net job losses. The most severe declines were in the construction and manufacturing sectors.

Fiscal year 2011 saw improvement in some sectors of the labor market. Total private employment grew by 10,000 jobs or 0.3 percent. Manufacturing employment grew slightly in fiscal year 2011 and professional and business services growth outstripped U.S. growth. However, employment declines in construction, finance and government sectors were more severe than for the U.S. as a whole. The fiscal year 2011 decline in government employment more than offset the growth in private jobs, resulting in net job losses for the State in fiscal year 2011.

Figure 3 summarizes employment growth at the metropolitan statistical area level. As shown, employment growth varied widely across metropolitan areas. For example, Dalton and Brunswick experienced much more severe contraction in total employment in fiscal year 2009 and fiscal year 2010, well above the rate for the entire state. In contrast, Hinesville and Warner Robins experienced net job growth in both years. In fact, these two metropolitan areas were the only areas to experience net job growth in those years. Atlanta, the largest metropolitan area in terms of employment, generally is close to the overall Georgia rate of employment growth. In fiscal year 2011, seven of the fourteen metropolitan areas experienced net job growth in the year, indicating slow improvement across the state in labor market conditions.

Figure 3

Non-farm Employment Growth
Annual Percent Change
Fiscal Year

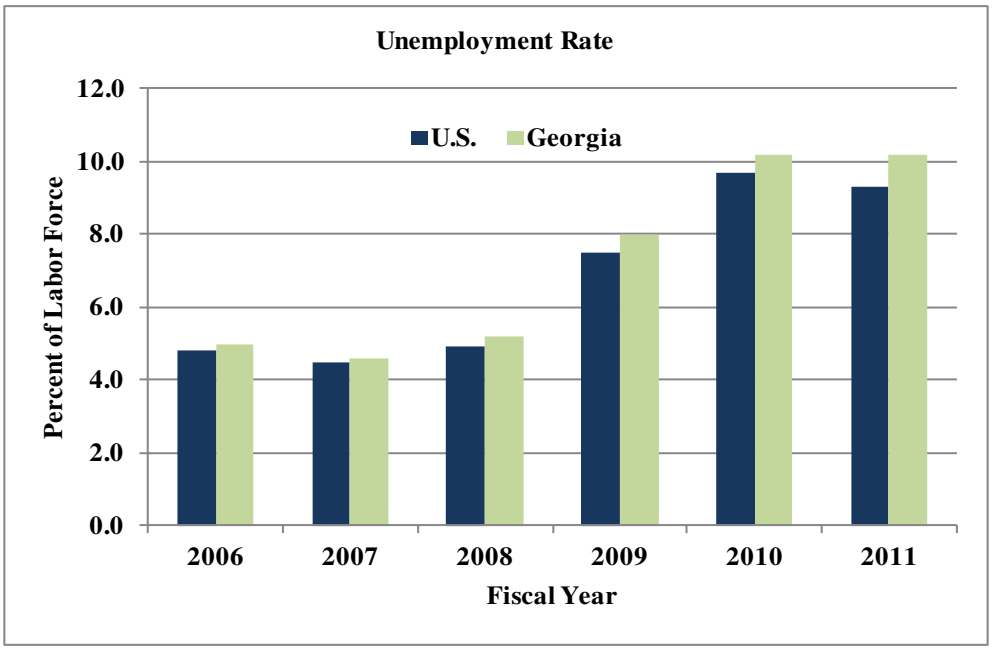
	2007	2008	2009	2010	2011
Georgia	1.8%	0.5%	-3.7%	-4.1%	-0.2%
Metropolitan Area					
Albany	0.0%	-0.1%	-2.2%	-3.5%	0.5%
Athens	2.6%	3.2%	-2.7%	-3.3%	0.8%
Atlanta	2.6%	0.9%	-3.8%	-4.3%	-0.4%
Augusta	0.4%	0.6%	-1.8%	-1.4%	-0.1%
Brunswick	0.4%	2.2%	-4.5%	-5.3%	-1.4%
Columbus	-0.5%	0.0%	-1.9%	-2.1%	0.4%
Dalton	0.3%	-3.1%	-9.5%	-4.9%	0.0%
Gainesville	5.3%	3.7%	-4.8%	-4.3%	1.8%
Hinesville	1.6%	2.7%	4.8%	0.2%	-0.4%
Macon	-0.4%	0.9%	-2.4%	-3.8%	0.1%
Rome	-1.5%	-0.5%	-3.5%	-4.4%	-0.5%
Savannah	4.6%	0.9%	-3.6%	-3.5%	-0.1%
Valdosta	2.0%	0.8%	-2.1%	-5.1%	-0.5%
Warner Robins	6.2%	0.8%	0.1%	1.4%	0.7%

Source: U.S. Bureau of Labor Statistics

Unemployment

High unemployment has accompanied the loss of jobs in the U.S. and in Georgia. Figure 4 illustrates the unemployment rates over the last five fiscal years.

Figure 4



Source: U.S. Bureau of Labor Statistics

Prior to the recession, there was minimal difference in the unemployment rates of the U.S. and of Georgia. As the recession deepened, Georgia's unemployment rate increased more than that of the U.S. Through fiscal year 2011, the U.S. unemployment rate had fallen from its fiscal year 2010 peak, but remained very high. Georgia's unemployment in fiscal year 2011 was virtually unchanged from its fiscal year 2010 unemployment rates at 10.2 percent.

Figure 5 details unemployment rates for Georgia's metropolitan areas. Unemployment in fiscal year 2011 remained very high across Georgia's metropolitan areas. Several metropolitan areas reached peak unemployment rates during fiscal year 2011, including Brunswick and Hinesville. Seven of fourteen metropolitan areas saw unemployment rate decreases in fiscal year 2011 compared to fiscal year 2010, but only Gainesville experienced a decrease of one half percent or more in its unemployment rate in fiscal year 2011.

Figure 5

Unemployment Rate by Metro Area

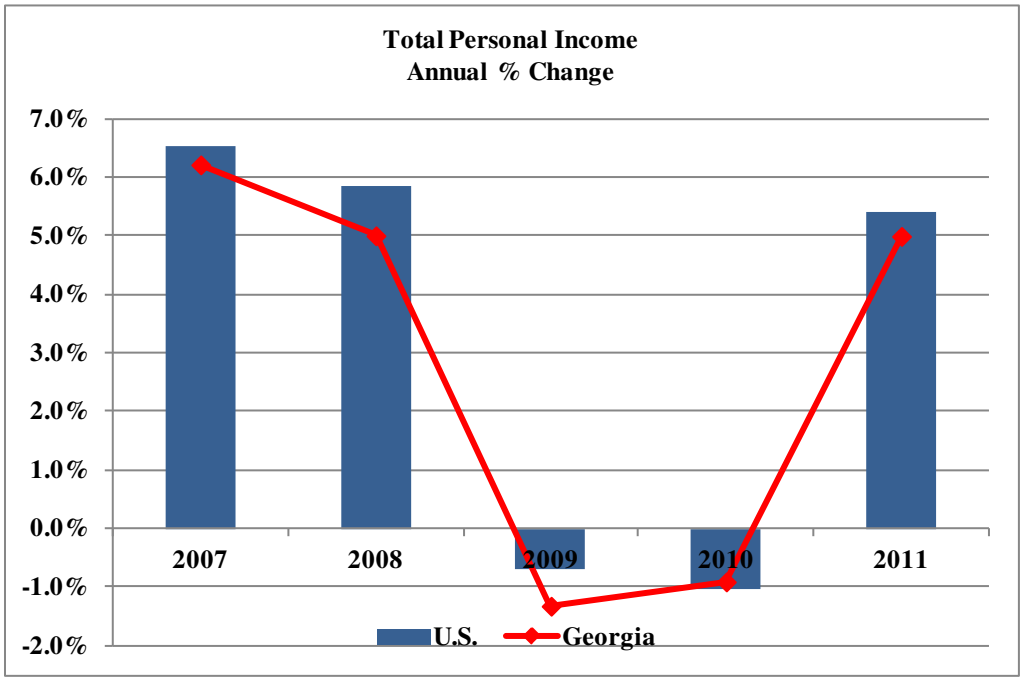
	Fiscal Year (Percent)				
Metropolitan Area	**2007**	**2008**	**2009**	**2010**	**2011**
Albany	5.2	5.6	7.8	10.7	10.6
Athens	3.8	4.2	6.4	7.8	7.6
Atlanta	4.5	5.1	8.1	10.2	10.2
Augusta	5.7	5.7	7.9	9.2	8.9
Brunswick	3.9	4.3	7.3	9.5	10.0
Columbus	5.3	5.5	7.9	9.6	9.4
Dalton	4.5	5.6	10.8	12.3	12.0
Gainesville	3.6	4.3	7.6	9.3	8.8
Hinesville	5.3	5.1	7.0	8.4	8.9
Macon	5.2	5.5	7.9	10.1	10.2
Rome	4.6	5.4	8.6	10.7	10.6
Savannah	3.8	4.5	7.0	8.7	9.1
Valdosta	3.8	4.5	7.1	8.8	8.9
Warner Robins	4.0	4.5	6.3	7.4	7.7
Georgia	4.6	5.2	8.0	10.2	10.2

Source: U.S. Bureau of Labor Statistics

Personal Income

Personal income is the broadest measure of economic conditions available at the state level on a timely basis. Broader measures such as state gross domestic product (GDP) are available only with a substantial lag. Personal income is also an important economic indicator due to its close relationship with state tax revenues. The two largest sources of State revenues, individual income tax and sales and use tax, are closely related to changes in personal income over time. Figure 6 compares the year over year growth rates in total personal income for Georgia and the U.S. over the last five fiscal years.

Figure 6



Source: Bureau of Economic Analysis

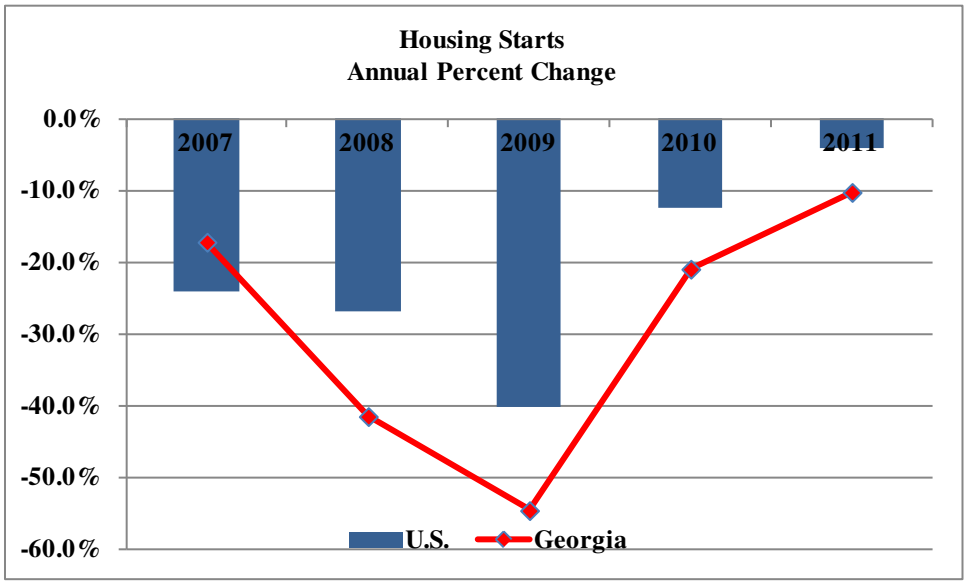
Personal income growth in Georgia has lagged that of the U.S. each year during this time span. In addition, personal income growth fell into negative territory for fiscal year 2009 and fiscal year 2010 for both the U.S. and Georgia. Positive personal income growth resumed in fiscal year 2011 reaching 5.4 percent for the U.S. and 5.0 percent for Georgia.

The wage and salary disbursements component of personal income also grew in fiscal year 2011 at 3.7 percent after declining by 2.2 percent in fiscal year 2010. Dividends, interest and rents fell by 7.7 percent in fiscal year 2010 but grew by 6.4 percent in fiscal year 2011. Both of these components contribute to growth in taxable income and thereby individual income tax revenues; these components also provide spending capability to support growth in sales tax revenues. Personal transfer receipts grew by 11.1 percent in fiscal year 2010 and by 6.2 percent in fiscal year 2011. Personal transfer receipts are made up of benefits from social safety net programs such as Social Security, Medicare and Medicaid, and unemployment insurance. The rapid rate of growth, particularly in fiscal year 2010, reflects the depth of the recession and its impact on employment. Transfer payments, with the exception of unemployment insurance payments, are not subject to Georgia's individual income tax, but do in general, provide additional spending capability that supports sales tax revenue growth. Note that realized capital gains are not included in personal income.

Housing Markets

The housing sector saw dramatic declines in activities and values prior to and during the recession. Housing started to decline in 2007 and problems associated with housing finance, including sub-prime mortgages and collateralized debt obligations, contributed to the freeze-up in financial markets that led to the Great Recession. Figure 7 illustrates the large impacts on residential housing construction. Housing starts were still declining through fiscal year 2011 for both Georgia and the U.S. The decline in residential construction continued throughout the five fiscal years illustrated in Figure 7. In fiscal year 2009, starts declined by 40 percent in the U.S. and over 50 percent in Georgia. The declines moderated in fiscal year 2010 and fiscal year 2011, however, the cumulative decline over this period was 84 percent for Georgia and 72 percent for the U.S.

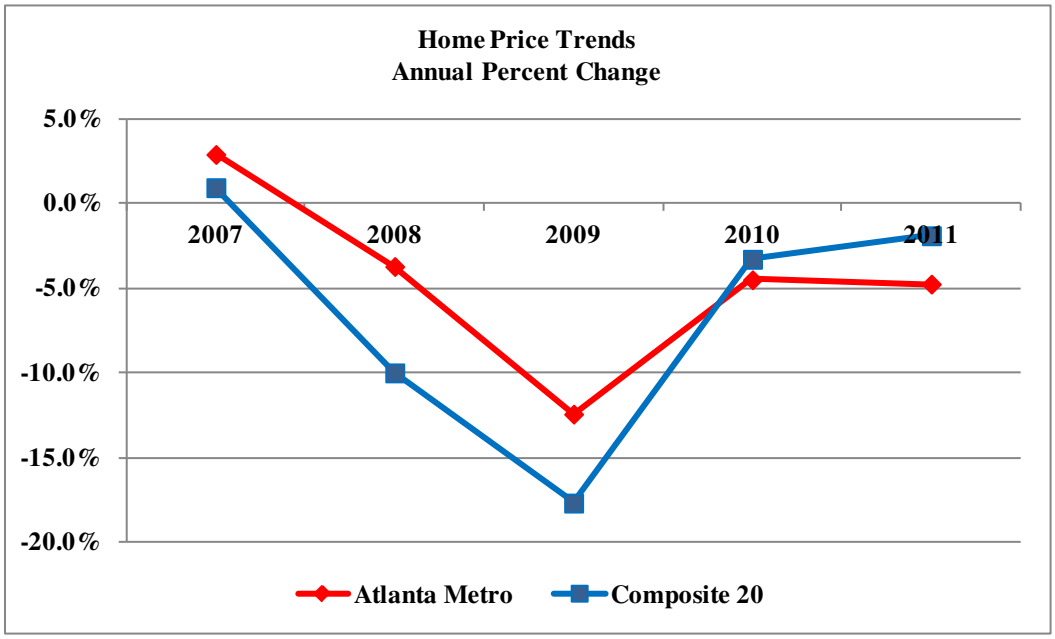
Figure 7



Source: Moody's Analytics and U.S. Census Bureau

The value of housing has also declined significantly during the recession. Figure 8 illustrates the decline based on the Standard and Poor's Case-Shiller Home Price Index for the Atlanta metropolitan area and the composite index for twenty large metropolitan areas across the nation. Home prices increased slightly in fiscal year 2007 but have fallen each year since then. Home prices fell most sharply in fiscal year 2009 when the composite index for 20 metropolitan areas fell by 17.7 percent in fiscal year 2009 and the Atlanta metropolitan area price index decreased by 12.4 percent. Price declines have moderated since then, however, the cumulative decline in prices indicated by the Composite 20 Index is 29 percent and the cumulative decline indicated by the Atlanta metropolitan index is 21 percent.

Figure 8



Source: S&P/Case-Shiller Home Price Indices

Fiscal Year Outlook

Economic conditions in Georgia during fiscal year 2011 showed signs of the national recovery with growth in personal income and its major components as well as employment growth in some industry segments and for some metropolitan areas. However, elements of the Great Recession still linger in the state as unemployment remains near its all-time peak and overall employment growth is still negative.

Looking forward, the economic recovery is expected to continue at a modest pace. Economic expansion had slowed markedly in the first half of 2011 under the weight of high oil and other commodity prices and the impact on global manufacturing and exports of the Japanese tsunami. The most recent data indicate that U.S. real GDP growth picked up in the third quarter of 2011 and likely will be still stronger in the fourth quarter. Oil prices have fallen from their peaks and the impact of the tsunami has faded with U.S. auto sales bouncing back above their level prior to the manufacturing disruption. Corporations remain in good position to invest and hire with strong internal cash positions. The U.S. labor market also continues to improve. Unemployment is falling slowly and private non-farm employment has steadily expanded. Leading indicators of employment growth such as temporary employment are also growing.

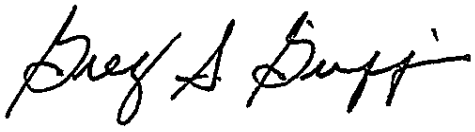
While the economic recovery remains intact, it still faces substantial risk. The modest rate of expansion makes the economy vulnerable to outside shocks. Housing remains troubled due to high foreclosure rates and declining prices. The debt crisis in Europe is likely to have a negative impact on U.S. exports as European economies slow and likely fall back into recession. More importantly, potential debt defaults or a disorderly break-up of the monetary union could impair U.S. financial markets and tip the U.S. economy back into recession.

Although more volatile, Georgia's economy generally tracks near the U.S. economy and is thus subject to the same risk factors. The current outlook for Georgia's economy is for a slow recovery during fiscal year 2012 with some acceleration in fiscal year 2013.

ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the dedicated and efficient service of the entire staff of the State Accounting Office. We also express our appreciation to the fiscal officers throughout state government and to the Department of Audits and Accounts for their dedicated efforts in assisting us in the preparation of this report.

Respectfully submitted,



Greg S. Griffin
State Accounting Officer

State of Georgia

Organizational Chart
June 30, 2011

JUDICIAL

Supreme Court
Court of Appeals
Superior Courts
District Attorneys
Judicial Agencies

EXECUTIVE

Constitutional Officers

Lieutenant Governor
Public Service Commission
State School Superintendent
Secretary of State
Commissioner of Insurance
Attorney General
Commissioner of Agriculture
Commissioner of Labor

Governor

Office of Planning and Budget
Governor's Office

Department of Administrative Services
Department of Banking and Finance
Department of Behavioral Health & Developmental Disabilities
Department of Community Affairs
Department of Community Health
Department of Corrections
Department of Defense
Department of Driver Services
Department of Early Care and Learning
Department of Economic Development
Department of Education
Department of Human Services
Department of Juvenile Justice
Department of Natural Resources
Department of Public Safety
Department of Revenue
Department of Transportation
Department of Veterans Service
Employees' Retirement System of Georgia
Georgia Bureau of Investigation
Georgia Forestry Commission
Georgia Lottery Corporation
Georgia State Financing and Investment Commission
Georgia Student Finance Commission
Georgia Technology Authority
Office of the State Treasurer
State Accounting Office
State Board of Pardons and Paroles
State Board of Workers' Compensation
State Personnel Administration
Technical College System of Georgia
University System of Georgia
Examining and Licensing Boards
Advisory Boards
Other Executive Agencies
Interstate Agencies
Authorities

LEGISLATIVE

General Assembly
Senate
House of Representatives

Legislative Agencies

Department of Audits and Accounts

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Principal State Officials
June 30, 2011

Executive:

Nathan Deal ..... *Governor*

Brian P. Kemp ..... *Secretary of State*

Sam Olens ..... *Attorney General*

Mark Butler ..... *Commissioner of Labor*

Dr. John D. Barge ..... *State Superintendent of Schools*

Ralph T. Hudgens ..... *Commissioner of Insurance*

Gary W. Black ..... *Commissioner of Agriculture*

Stan Wise (Chairman) ..... *Public Service Commissioner*
Chuck Eaton ..... *Public Service Commissioner*
Tim Echols ..... *Public Service Commissioner*
H. Doug Everett ..... *Public Service Commissioner*
Lauren "Bubba" McDonald, Jr. ..... *Public Service Commissioner*

Legislative:

Casey Cagle ..... *Lieutenant Governor/President of the Senate*

David Ralston ..... *Speaker of the House of Representatives*

Judicial:

Carol W. Hunstein ..... *Chief Justice of the Supreme Court*

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ACKNOWLEDGEMENTS

The Georgia Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2011 was prepared by:

STATE ACCOUNTING OFFICE

Alan Skelton, Deputy Director, State Accounting Office
Kris Martins, Director, Financial Reporting

STATEWIDE ACCOUNTING AND REPORTING

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Sharon Hill	Ellen K. Tate
Regina Jones	Drew Townsend
Christina R. Palmer	Sandra Warr
Michael Rodgers	Dina Williams

SPECIAL APPRECIATION

The State Accounting Office would like to extend special appreciation to all fiscal and accounting personnel throughout the State who contributed the financial information for their agencies. Additionally, the Division of Statewide Accounting and Reporting would like to acknowledge the efforts given by all of the functional and support personnnel of the State Accounting Office.

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Financial Section

DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W. Suite 1-156
Atlanta, Georgia 30334

RUSSELL W. HINTON
STATE AUDITOR
(404) 656-2174

INDEPENDENT AUDITOR'S REPORT

The Honorable Nathan Deal
Governor of Georgia
and
Members of the General Assembly
of the State of Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Georgia as of and for the year ended June 30, 2011, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain organizations. These organizations reflect the following percentages of total assets and revenues or additions of the indicated opinion units:

Opinion Unit	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Governmental Activities	13%	26%
Business-Type Activities	4%	18%
Aggregate Discretely Presented Component Units	94%	94%
Governmental Fund - General Fund	12%	22%
Governmental Fund - General Obligation Bond Projects Fund	99%	99%
Proprietary Fund/Enterprise Fund -State Employees' Health Benefit Plan	100%	100%
Aggregate Remaining Fund Information	90%	62%

The financial statements of these organizations and component units were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those financial statements, are based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Armstrong

Atlantic State University Educational Properties Foundation, Inc., Georgia College & State University Foundation, Inc., Georgia Lottery Corporation, Georgia Southern University Housing Foundation, Inc., Georgia State University Foundation, Inc., Georgia Tech Athletic Association, Georgia Tech Foundation, Inc., Kennesaw State University Foundation, Inc., MCG Health, Inc., MCG Health System, Inc., Medical College of Georgia Foundation, Inc., The Medical College of Georgia Physicians Practice Group Foundation, The University of Georgia Athletic Association, Inc., The University of Georgia Foundation, University System of Georgia Foundation, Inc. and the VSU Auxiliary Services Real Estate Foundation, Inc. were audited in accordance with auditing standards generally accepted in the United States of America but were not audited in accordance *Government Auditing Standards* issued by the Comptroller General of the United States. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions. Georgia statutes, in addition to audit responsibilities, entrust other responsibilities to the Department of Audits and Accounts. Those responsibilities included service by the State Auditor on the governing boards of various agencies, authorities, commissions, and component units of the State of Georgia. The Department of Audits and Accounts elected to not provide audit services for the organizational units of the State of Georgia associated with these boards. The Department of Audits and Accounts has also elected to not provide audit services for the Department of Community Health (DCH) due to a contractual obligation with DCH to conduct certain non-audit services.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Georgia, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

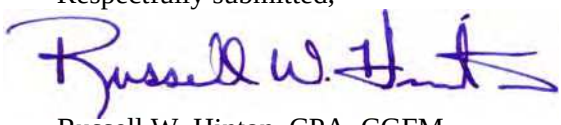
The financial statements of the general fund reflect accounts payable in the amount of $911,782,704 which represents the State of Georgia's liability for teachers' salaries earned before June 30, 2011, but not paid until July and August, 2011. State appropriations for the subsequent fiscal year were available for obligation even though the period to which the appropriation applied had not begun. The recognition of this liability at June 30, 2011, however, is not in accordance with generally accepted accounting principles as promulgated by Governmental Accounting Standards Board (GASB) Statement 33 because the subsequent fiscal year had not begun. We believe, however, the omission of this liability would cause the financial statements of the State of Georgia to be misleading.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2011 on our consideration of the State of Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 7 through 18 and schedule of funding progress (OPEB), budgetary comparison schedule, budget to GAAP reconciliation, and notes to required supplementary information on pages 125 through 131 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Georgia's basic financial statements. The introductory section, combining fund statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,



Russell W. Hinton, CPA, CGFM
State Auditor

December 30, 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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INTRODUCTION

Management of the State of Georgia (the State) provides this *Management's Discussion and Analysis* of the State of Georgia's *Comprehensive Annual Financial Report (CAFR)* for readers of the State's financial statements. This narrative overview and analysis of the financial activities of the State is for the fiscal year ended June 30, 2011. It should be read in conjunction with the letter of transmittal, located in the Introductory Section of this report, and the State's financial statements, including the notes to the financial statements, which are an integral part of the statements that follow this narrative. During fiscal year 2011, the State implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement introduces new terms that are defined in Note 1, beginning on page 40.

FINANCIAL HIGHLIGHTS

Government-wide

- Total assets of the State exceeded liabilities by $20.2 billion (reported as "net assets"). The State's total net assets increased $366.0 million or 1.8 percent over the prior year. Net assets of governmental activities increased by $297.4 million or 2.0 percent, while the net assets of business-type activities increased by $68.6 million or 1.3 percent. Component units reported an increase in net assets of $290.5 million or 4.7 percent from the prior year.

- During the fiscal year, the State's total revenues for governmental activities of $33.7 billion were $2.6 billion more than total expenses (excluding transfers) of $31.1 billion. Of these expenses, $18.3 billion were covered by program revenues. General revenues, primarily attributable to various taxes, totaled $15.4 billion.

Fund Level

- The governmental funds reported combined ending fund balances of $4.8 billion, a decrease of $281.1 million or 5.5 percent in comparison with the prior year. Of this total fund balance, $94.9 million or 2.0 percent represents nonspendable fund balance, $4.0 billion or 83.7 percent represents restricted fund balance, $9.4 million or 0.2 percent represents committed fund balance, $277.1 million or 5.8 percent represents assigned fund balance and $401.4 million or 8.3 percent represents unassigned fund balance.

- The enterprise funds reported net assets of $5.4 billion at June 30, 2011, an increase of $68.6 million or 1.3 percent compared to the prior year.

- The General Fund ended the fiscal year with a total fund balance of $3.7 billion, of which $401.4 million was classified as unassigned fund balance. Total tax revenues in the General Fund were $620.5 million or 4.2 percent higher than the prior year, as the economy continued to show signs of improving.

Long-term Debt

The State's long-term bonded debt decreased $109.3 million or 1.0 percent during the fiscal year which represents the net difference between new issuances, payments and refunding of outstanding debt. General obligation bonds for the primary government decreased by $63.1 million or 0.7 percent while revenue bonds for the primary government decreased $46.1 million or 2.1 percent. The State issued new bonded debt during the year in the amount of $1.1 billion for the primary government and $684.4 million for component units.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report includes the State's Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The Basic Financial Statements consist of three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-wide Financial Statements – Reporting the State as a Whole
The Statement of Net Assets and Statement of Activities beginning on page 21 together comprise the *government-wide financial statements.* These statements provide a broad overview of the State's financial activities as a whole with a long-term focus and are prepared using the *full-accrual* basis of accounting, similar to private-sector businesses. This means all revenues and expenses associated with the fiscal year are recognized regardless of when cash is spent or received, and all assets and liabilities, including capital assets and long-term debt, are reported at the entity level.

The government-wide statements report the State's *net assets* – the difference between total assets and total liabilities – and how they have changed from the prior year. Over time, increases and decreases in net assets measure whether the State's overall financial condition is improving or deteriorating. In evaluating the State's overall condition, however, additional non-financial information should be considered such as the State's economic outlook, changes in demographics, and the condition of its capital assets and infrastructure. The government-wide statements report three activities:

Governmental Activities –The majority of the State's basic services fall under this activity including general government, education, health and welfare, transportation, public safety, economic development and assistance, culture and recreation, and conservation. Taxes and intergovernmental revenues are the major funding sources for these programs.

Business-Type Activities – The State operates certain activities much like private-sector businesses by charging fees to customers that are intended to recover all or a significant portion of their costs of providing goods and services. Unemployment Compensation Fund, the self-insured State Employees' Health Benefit Plan, and the Higher Education Fund are some examples of business-type activities.

Component Units – Certain entities are legally separate from the State; however, the State remains financially accountable for them. Georgia Environmental Finance Authority, Georgia Housing and Finance Authority, and Georgia Lottery Corporation are examples of component units.

Fund Financial Statements – Reporting the State's Most Significant Funds
The fund financial statements beginning on page 24 provide detailed information about individual major funds, not the State as whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State of Georgia, like other state and local governments, uses funds to ensure and demonstrate compliance with finance-related and legal requirements. All of the State funds are divided into three types, each of which use a different accounting approach and should be interpreted differently.

Governmental Funds – Most of the basic services provided by the State are financed through governmental funds and are essentially the same functions reported as *governmental activities* in the government-wide financial statements. Governmental funds use the modified accrual basis of accounting, and focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These statements provide a detailed short-term view of the State's finances that assist in determining whether there will be adequate financial resources available to meet the current needs of the State.

Proprietary Funds – The Proprietary funds, which include enterprise funds and internal service funds, account for state activities that are similar to private-sector businesses. Similar to government-wide statements, proprietary

fund statements are presented using the *full-accrual* basis of accounting. Activities whose customers are mostly outside of state government are accounted for in *enterprise funds* and are the same functions reported as business-type activities. The enterprise fund financial statements provide more detail and additional information than in the government-wide statements, such as cash flows. Activities whose customers are mostly other state entities are accounted for in *internal service funds*. The internal service fund activities are allocated proportionately between the governmental activities (predominately) and the business-type activities in the government-wide statements based on the benefit of the services provided to those activities.

Fiduciary Funds – These funds are used to account for resources held for the benefit of parties outside the state government. The State is responsible for ensuring these assets are used for their intended purposes. Fiduciary funds use *full-accrual* accounting, but are not reflected in the government-wide financial statements because the resources of these funds are not available to support the State's own programs.

Reconciliation between Government-wide and Fund Statements
This report also includes two schedules on pages 25 and 27 that reconcile and explain the differences between the amounts reported for the governmental activities on the government–wide statements (full-accrual accounting, long-term focus) with amounts reported on the governmental fund statements (modified accrual accounting, short-term focus). The following represents some of the reporting differences between the two statements:

- Capital outlays result in capital assets on the government-wide statements, but are reported as expenditures in the governmental fund financial statements.
- Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements.
- Bond proceeds are recorded as long-term debt on the government-wide statements, but provide current financial resources on the fund governmental fund statements.

Notes to the Financial Statements
The notes beginning on page 39 provide additional information that is essential to a complete understanding of the financial statements. The notes are applicable to both the government-wide financial statements and the fund financial statements.

Required Supplementary Information
In addition to this Management's Discussion and Analysis, which is required supplementary information, the Basic Financial Statements are followed by a section of other required supplementary information that further explains and supports the information in the financial statements. This section of the report includes: (1) the State's funding progress for other postemployment benefits and (2) a budgetary comparison schedule of the General Fund (Budget Fund), including reconciliations of revenues and expenditures on the statutory and GAAP basis for the fiscal year.

Supplementary Information
Supplementary information includes combining financial statements for the State's nonmajor governmental funds, nonmajor enterprise funds, internal service funds, fiduciary funds and nonmajor component units. The total columns of these combining financial statements carry forward to the applicable fund financial statements.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets

The State's total net assets increased $366.0 million or 1.8 percent in fiscal year 2011. In comparison, net assets in the prior year decreased $88.7 million or 0.4 percent. The change in net assets is comprised of the following:

- Invested in Capital Assets - Total investment in capital assets net of related debt increased $854.9 million or 4.8 percent during the current year as the State's investment in highways and buildings exceeded deprecation and the net additional debt incurred to finance the capital-related projects.

- Restricted Net Assets – Total restricted net assets increased $1.5 billion or 49.3 percent over the prior year.
    - Restricted net assets of governmental activities increased $1.4 billion or 54.8 percent primarily attributable to an increase in state motor fuel restrictions of $391.9 million offset by a decrease in lottery for education restricted funds of $274.7 million. In addition, $1.0 billion of the total increase was due to a reclassification of net assets for restrictions associated with general obligation bonds previously reported as unrestricted net assets.
    - Restricted net assets of business-type activities increased $66.4 million or 15.7 percent, primarily due to increases of $39.1 million or 9.2 percent in the Higher Education Fund related to increased enrollments and $27.3 million or 100 percent at the State Road and Tollway Authority for transportation improvements.

- Unrestricted Net Assets – The remaining balance of ($3.2 billion) is unrestricted net assets, which decreased by $2.0 billion or 165.9 percent over the prior year. Total unrestricted net assets in governmental activities of ($2.1 billion) decreased from the prior year by $1.5 billion or 225.0 percent primarily due to the reclassification of restricted general obligation bond funds discussed above and an increased investment in capital assets of $329.7 million. Total unrestricted net assets in business-type activities of ($1.1 billion) decreased $523.0 million or 95.7 percent primarily due to a corresponding increase in investment in capital assets of $525.2 million.

(Table on next page)

Table 1 - Net Assets

As of June 30, 2011 and 2010 (in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and Other						
Non-captital Assets	$ 8,397,840	$ 9,785,713	$ 2,718,203	$ 2,447,656	$ 11,116,043	$ 12,233,369
Net Capital Assets	21,058,409	20,716,313	9,116,104	8,079,628	30,174,513	28,795,941
Total Assets	29,456,249	30,502,026	11,834,307	10,527,284	41,290,556	41,029,310
Non-current Liabilities	11,201,294	11,452,978	5,467,003	4,197,653	16,668,297	15,650,631
Current Liabilities	3,449,994	4,541,486	994,946	1,025,882	4,444,940	5,567,368
Total Liabilities	14,651,288	15,994,464	6,461,949	5,223,535	21,113,237	21,217,999
Net Assets						
Invested in Capital Assets, Net of Related Debt	12,880,313	12,550,617	5,952,035	5,426,787	18,832,348	17,977,404
Restricted	4,031,347	2,605,116	489,736	423,325	4,521,083	3,028,441
Unrestricted	(2,106,699)	(648,171)	(1,069,413)	(546,363)	(3,176,112)	(1,194,534)
Total Net Assets	$ 14,804,961	$ 14,507,562	$ 5,372,358	$ 5,303,749	$ 20,177,319	$ 19,811,311

The largest component of the State's net assets, $18.8 billion or 93.3 percent, reflects investments in capital assets (e.g., land, buildings, machinery and equipment, infrastructure) less any related debt to finance those assets. The State uses capital assets to provide services to citizens; consequently, these resources are not available for future spending. Resources needed to repay capital-related debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net assets represents restricted net assets. Restricted net assets of $4.5 billion comprise 22.4 percent of total net assets and are subject to constitutional, legal, or external restrictions on how they may be used. The remaining balance of ($3.2 billion) is unrestricted net assets.

Changes in Net Assets

The State received 34.7 percent of its revenues from state taxes and 52.6 percent of its revenues from grants and contributions, primarily from federal sources. In the prior year, state taxes accounted for 32.7 percent and grants and contributions were 56.2 percent of total revenues. Charges for goods and services such as licenses, permits, liquor sales, park and court fees, combined with other miscellaneous collections, comprised 13.3 percent of total revenues in fiscal year 2011, compared to 11.1 percent in fiscal year 2010. Expenses for the State during fiscal year 2011 were $43.9 billion. As a result of the excess revenues over expenses, the total net assets of the State increased $404.7 million, net of transfers.

The following schedule was derived from the Government-wide Statement of Activities and summarizes the State's total revenues, expenses and changes in net assets for fiscal year 2011.

Table 2 - Changes in Net Assets

For the Years Ended June 30, 2011 and 2010 (in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2011	2010	2011	2010	2011	2010	2010 to 2011
Revenues:							
Program Revenues:							
Charges for Services	$ 2,770,216	$ 2,408,738	$ 2,683,080	$ 2,442,184	$ 5,453,296	$ 4,850,922	12.4%
Operating Grants/Contributions	14,029,675	15,656,694	7,557,366	7,837,041	21,587,041	23,493,735	-8.1%
Capital Grants/Contributions	1,473,052	1,599,721	106,217	41,634	1,579,269	1,641,355	-3.8%
General Revenues:							
Taxes	15,261,481	14,641,029	-	-	15,261,481	14,641,029	4.2%
Unrestricted Investment Income	(3,066)	993	-	-	(3,066)	993	-408.8%
Unclaimed Property	98,098	85,277	-	-	98,098	85,277	15.0%
Other	30,285	44,183	-	-	30,285	44,183	-31.5%
Total Revenues	33,659,741	34,436,635	10,346,663	10,320,859	44,006,404	44,757,494	-1.7%
Expenses:							
General Government	1,222,954	1,467,147	-	-	1,222,954	1,467,147	-16.6%
Education	10,002,351	10,731,693	-	-	10,002,351	10,731,693	-6.8%
Health and Welfare	14,745,268	14,210,928	-	-	14,745,268	14,210,928	3.8%
Transportation	1,517,213	1,752,933	-	-	1,517,213	1,752,933	-13.4%
Public Safety	1,974,964	1,834,315	-	-	1,974,964	1,834,315	7.7%
Economic Development and Assistance	843,912	808,742	-	-	843,912	808,742	4.3%
Culture and Recreation	233,608	287,860	-	-	233,608	287,860	-18.8%
Conservation	59,159	62,059	-	-	59,159	62,059	-4.7%
Interest and Other Charges on Long-Term Debt	462,602	446,520	-	-	462,602	446,520	3.6%
Higher Education Fund	-	-	7,622,542	7,067,724	7,622,542	7,067,724	7.9%
State Employees' Health Benefit Plan	-	-	2,224,280	2,298,354	2,224,280	2,298,354	-3.2%
Unemployment Compensation	-	-	2,954,208	4,011,802	2,954,208	4,011,802	-26.4%
State Road and Tollway Authortiy	-	-	26,613	26,174	26,613	26,174	1.7%
Total Expenses	31,062,031	31,602,197	12,827,643	13,404,054	43,889,674	45,006,251	-2.5%
Increase (Decrease) in Net Assets BeforeTransfers And Special Items	2,597,710	2,834,438	(2,480,980)	(3,083,195)	116,730	(248,757)	
Transfers and Special Items	(2,244,118)	(2,279,791)	2,532,118	2,269,701	288,000	(10,090)	
Change in Net Assets	353,592	554,647	51,138	(813,494)	404,730	(258,847)	
Net Assets, July 1 - Restated	14,451,369	13,952,915	5,321,220	6,117,243	19,772,589	20,070,158	
Net Assets, June 30	$ 14,804,961	$ 14,507,562	$ 5,372,358	$ 5,303,749	$ 20,177,319	$ 19,811,311	1.8%

Governmental Activities

The State's total governmental revenues from all sources decreased $776.9 million or 2.3 percent. Operating grants and contributions decreased $1.6 billion or 10.4 percent. This decrease was partially offset by increases in tax revenues of $620.5 million or 4.2 percent and charges for services of $361.5 million or 15.0 percent.

The following table shows to what extent the State's governmental activities relied on state taxes and other general revenues to cover all their costs. For fiscal year 2011, taxes and other general revenues covered 41.2 percent of expenses. The remaining $18.3 billion or 58.8 percent of the total expenses were covered by charges for services and grants.

Table 3 – Net Program Revenue

For the Years Ended June 30, 2011 and 2010 (in thousands)

Functions/Programs	Program Expenses 2011	Less Program Revenues 2011	Net Program (Expense) / Revenue 2011	Net Program (Expense) / Revenue 2010	Program Revenues as a Percentage of Program Expenses 2011	Program Revenues as a Percentage of Program Expenses 2010
Primary Government						
Governmental Activities:						
General Government	$ 1,222,954	$ 2,244,664	$ 1,021,710	$ 651,611	183.5%	144.4%
Education	10,002,351	1,571,591	(8,430,760)	(7,524,451)	15.7%	29.9%
Health and Welfare	14,745,268	11,338,109	(3,407,159)	(2,952,656)	76.9%	79.2%
Transportation	1,517,213	1,632,228	115,015	(156,728)	107.6%	91.1%
Public Safety	1,974,964	457,068	(1,517,896)	(1,366,875)	23.1%	25.5%
Economic Development and Assistance	843,912	774,348	(69,564)	(59,409)	91.8%	92.7%
Culture and Recreation	233,608	212,775	(20,833)	(40,188)	91.1%	86.0%
Conservation	59,159	42,160	(16,999)	(41,828)	71.3%	32.6%
Interest and Other Charges on Long-Term Debt	462,602	-	(462,602)	(446,520)	0.0%	0.0%
Total Governmental Activities	$ 31,062,031	$ 18,272,943	$(12,789,088)	$(11,937,044)	58.8%	62.2%

Business-Type Activities

Net assets of business-type activities increased by $68.6 million or 1.3 percent during the fiscal year. Operating revenues from the State's business-type activities increased $25.8 million or 0.3 percent from the prior year. This was primarily due to an increase in revenue in the Higher Education Fund offset by a decrease in revenue from the Unemployment Compensation Fund. Total expenses for the State's business-type activities decreased $576.4 million or 4.3 percent. This decrease is attributable to lower expenses in the Unemployment Compensation Fund and the State Employees' Health Benefit Plan, offset by increased expenses in the Higher Education Fund.

In fiscal year 2011, business-type activities expenses were funded 80.7 percent on $10.3 billion from program revenues compared to 77.0 percent on $10.3 billion in the prior year. The remaining expenses were covered from revenues transferred in from governmental activities to the Higher Education Fund.

FINANCIAL ANALYSIS OF THE STATE'S GOVERNMENTAL FUNDS

Fund Balances

At June 30, 2011, the State's governmental funds reported combined ending fund balance of $4.8 billion. Of this amount, $94.9 million or 2.0 percent is nonspendable, either due to its form or legal constraints, and $4.0 billion or 83.7 percent is restricted for specific programs by constitutional provisions, external constraints, or contractual obligations. Net assets that are restricted by the *Constitution* principally include motor fuel taxes that can be used only to build roads and bridges and lottery funds held for education purposes. Restrictions by external parties include general obligation bonds that can only be used for authorized capital projects. Additionally, $9.4 million or 0.2 percent of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the General Assembly and Governor. An additional $277.1 million or 5.8 percent of total fund balance has been assigned to specific purposes, as expressed by the intent of State management. The remaining $401.4 million or 8.3 percent of fund balance is unassigned.

General Fund

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, the General Fund reflected a total fund balance of $3.7 billion. The net change in fund balance during the fiscal year was $18.6 million or 0.5 percent compared to $667.0 million or 22.0 percent net change in the prior year. The General Fund ended the year with an unrestricted, unassigned fund balance of $401.4 million.

Major revenue, expenditure and other sources/uses contributing to the change in fund balance are as follows:

Revenues

Revenues of the General Fund totaled $33.4 billion in the fiscal year, a decrease of $735.1 million or 2.2 percent from the prior year. Factors contributing to this change included the following:

- Taxes increased $620.5 million or 4.2 percent from the prior year.
- Federal Revenues decreased by $1.8 billion or 10.7 percent from the prior year.
- Fines and forfeitures increased $158.3 million or 52.8 percent from the prior year.
- Hospital Providers payments, which did not exist prior to fiscal year 2011, were $215.1 million.

Expenditures

Expenditures of the General Fund totaled $30.3 billion in the fiscal year, a decrease of $622.0 million or 2.0 percent from the prior year. Factors contributing to this change included the following:

- Education expenditures decreased $737.3 million or 6.9 percent from the prior year.
- Health and Welfare expenditures increased $509.8 million or 3.6 percent from the prior year.
- Transportation expenditures decreased $426.4 million or 20.1 percent from the prior year.
- Net other financing sources and uses increased $751.1 million or 28.6 percent compared to the prior year, which was primarily due to higher transfers out to nongeneral funds.

Special Items

Special items of $288.0 million have been reported for the transfer of funds from the Georgia Environmental Finance Authority (component unit) (GEFA) to the General Fund. GEFA made this voluntary transfer of funds from the proceeds of the sale of loans receivable originated by GEFA and purchased by the Georgia Environmental Loan Acquisition Corporation (component unit) (GELAC). GELAC was established in fiscal year 2011 pursuant to the Georgia Nonprofit Corporation Code for the purpose of purchasing such loans and for other purposes.

Capital Project Fund - General Obligation Bond Projects Fund

Fund balance in the General Obligation Bond Projects Fund decreased by $296.3 million or 22.4 percent from the prior year. This was primarily the result of capital expenditures and transfers out of $1.1 billion exceeding general revenues, debt issuances, and transfers in of $805.9 million.

The State issues general obligation (GO) bonds to provide funds for the acquisition and construction of major capital facilities and equipment. In prior fiscal years, the State reported the activity for capital projects funded with GO bond proceeds differently for projects managed by state agencies and those managed by the Georgia State Financing and Investment Commission (GSFIC). Beginning with fiscal year 2011, all capital projects activity funded with GO bond proceeds are presented in a single "General Obligation Bond Projects Fund." The beginning net assets for both the General Fund and the General Obligation Bond Projects Fund have been restated by $4.5 million to reflect the reclassification of this activity.

BUDGETARY HIGHLIGHTS

Fiscal Performance

Fiscal conditions improved for the State during fiscal year 2011 as net revenue collections were $16.6 billion or 8.8 percent greater than fiscal year 2010. Net Revenue Collections deposited with the Office of the State Treasurer during fiscal year 2011 were 1.6 percent less than the initial revenue estimate of $16.8 billion. More specifically:

- Tax revenue of $15.5 billion exceeded the original revenue estimate by $64.3 million.
- Interest revenue of $224.1 million exceeded the original revenue estimate by $62.9 million.

- Regulatory Fees and Sales of $865.0 million was less than the original revenue estimate by $388.7 million. The difference is primarily due to the treatment of $288.0 million of transfers reported as a special item in this report and as Regulatory Fees and Sales in the original revenue estimate.

While Net Revenue Collections were less than initial estimates, other state fund revenue of $2.1 billion exceeded the original revenue estimate by $739.0 million. As a result, overall state funds available for appropriation exceeded the initial revenue estimate by $477.5 million.

Revenue Shortfall Reserve

As the State continues to address the effects of one of the worst economic downturns in recent history, the ending balance in the Revenue Shortfall Reserve (RSR) is a critical tool in helping to address budget shortfalls. After reaching a peak in fiscal year 2007 at $1.7 billion (9.2 percent of net revenue collections) the State's RSR balance declined to $268.2 million (1.8 percent of net revenue collections) in fiscal year 2010. At June 30, 2011, the State's RSR had grown to $494.0 million (3 percent of net revenue collections).

By statute, one percent of fiscal year 2011net revenue collections ($165.6 million) is available from the RSR for the mid-year K-12 education appropriation adjustment in the Amended fiscal year 2012 budget. However, this amount had not been appropriated as of the date of this report. In addition, the Governor may release for appropriation by the General Assembly a stated amount of reserve funds in the RSR that are in excess of 4 percent on the net revenue collections of the preceding fiscal year.

FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

Higher Education

The net assets of the Higher Education Fund increased $190.6 million or 3.3 percent compared to the prior year. Operating revenues of the Fund increased $330.8 million or 8.9 percent due primarily to increases in net student tuition and fees revenue of $193.4 million, federal grants and contracts of $68.1 million, local, private and other grants and contracts of $23.1 million, and sales and services of $58.3 million. These increases, all attributable to increased enrollments, were offset by a reduction of $12.6 million in other revenues. In addition, tuition and fees revenue increased due to an increase in tuition rates approved by the Board of Regents of the University System of Georgia to address funding gaps due to the loss of Federal Stabilization Funds reported as nonoperating revenue and transfers in from the General Fund. Nonoperating revenue (net of expenses) decreased $192.9 million or 17.1 percent, primarily attributable to elimination of Federal Stabilization funds of $280 million, offset by increases in Federal nonoperating grants of about $117 million that are primarily attributable to enrollment levels. In addition, the Higher Education Fund received $2.1 billion in transfers in from the General Fund, an increase of $156.8 million or 8.0 percent compared to the prior year.

Fiscal year 2011 operating expenses increased $520.9 million or 7.6 percent compared to the prior year. The increase is due primarily to increases in personal services, services and supplies, scholarships and fellowships and depreciation of $270.7 million, $133.6 million, $87.6 million, and $29.0 million, respectively.

Unemployment Compensation

The State's average unemployment rate for the fiscal year 2011 remained relatively unchanged from the prior year. Unemployment tax revenue paid into the fund increased by $136.9 million or 22.9 percent as a result of continuing high unemployment and higher employer contribution rates. However, revenues from grants and contributions decreased $488.6 million or 15.0 percent due to lower Federal revenues. Benefit payments decreased $1.1 billion or 26.4 percent this year compared to last fiscal year, due in part to a small improvement in the economy and fewer claims paid. Benefit payments again exceeded employer taxes and other revenues resulting in a decrease of net assets of $192.7 million or 188.7 percent.

In order to pay benefits, the Unemployment Compensation Fund continued to borrow funds from the Federal government under provisions of the Social Security Act. The outstanding balance of the advances at June 30, 2011 was $728 million, which increased $312 million or 75.0 percent from the prior year. The Unemployment Compensation Fund will incur approximately 4.0 percent annual interest on the amount borrowed. Repayment of interest cannot be paid with unemployment insurance taxes or administrative grant funding, thus other state funds must be used. The State made an interest payment of $21.0 million on September 30, 2011 and currently anticipates budgeting $33.0 million in the fiscal year 2013 budget for interest payments that will be due on September 30, 2012.

State Health Benefit Plan

The net assets of the State Employees' Health Benefit Plan (SHBP) increased $ 50.7 million or 21.7 percent from the prior year which reduced the negative unrestricted fund balance to ($183.4) million. Contributions to the fund increased $277.5 million or 13.9 percent offset by the elimination of general fund transfers of $33.3 million. At the same time, benefit payments decreased.73.2 million or 3.4 percent in comparison to the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's capital assets increased a net $1.4 billion or 4.5 percent during the year. The change consisted of net increases in infrastructure of $1.3 billion; land of $224.2 million; buildings and improvements of $460.0 million; with a corresponding decrease of construction in progress decreased $1.0 billion. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

Additional information on the State's capital assets can be found in Note 7 on page 73 of the notes to the financial statements of this report.

Table 4 - Capital Assets, Net of Accumulated Depreciation

As of June 30, 2011 and 2010 (in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Buildings/Building Improvements	$ 2,009,157	$ 2,053,808	$ 5,582,807	$ 5,078,125	$ 7,591,964	$ 7,131,933
Improvements Not Buildings	40,114	32,630	218,400	196,115	258,514	228,745
Infrastructure	11,220,992	9,954,769	176,311	174,829	11,397,302	10,129,598
Intangibles Other than Software	91,554	71,610	-	-	91,554	71,610
Land	3,084,525	2,927,663	362,875	295,519	3,447,400	3,223,182
Library Collections	-	-	179,038	176,639	179,038	176,639
Machinery and Equipment	204,001	216,090	2,298,748	1,873,970	2,502,749	2,090,060
Software	78,719	79,660	7,531	8,832	86,251	88,492
Works of Art and Collections	1,334	1,334	47,167	45,187	48,501	46,521
Construction in Progress	4,328,013	5,378,749	243,227	230,412	4,571,239	5,609,161
Total	**$ 21,058,409**	**$ 20,716,313**	**$ 9,116,104**	**$ 8,079,628**	**$ 30,174,513**	**$ 28,795,941**

Debt Administration

The *Constitution* authorizes issuing general obligation debt only as approved by the Legislature and prohibits the issuance of general obligation bonds for operating purposes. The *Constitution* requires the State to maintain a reserve sufficient to pay annual debt service requirements on all general obligation debt. If for any reason the reserve balance is insufficient to make, when due, all debt service payments, the first revenues received thereafter in the General Fund will be set aside for such use. The *Constitution* also stipulates that no debt may be incurred

when the highest aggregate annual debt service requirements for any year for outstanding general obligation debt and guaranteed revenue debt, including proposed debt, exceed 10 percent of the total revenue receipts, less refunds of the state treasury, in the fiscal year immediately preceding the year in which any such debt is to be incurred. At June 30, 2011, the State was $432.7 million below the annual debt service limit established by the *Constitution*.

Table 5 - Net Outstanding Bond Debt

As of June 30, 2011 and 2010 (in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	$ 8,774,586	$ 8,837,728	$ -	$ -	$ 8,774,586	$ 8,837,728
GARVEE Revenue Bonds	1,371,885	1,503,605	-	-	1,371,885	1,503,605
Revenue Bonds	476,684	505,884	328,597	213,814	805,281	719,698
	$ 10,623,155	$ 10,847,217	$ 328,597	$ 213,814	$ 10,951,752	$ 11,061,031

At the end of the fiscal year, the State had total bonded debt outstanding of $10.6 billion. Of this amount $9.0 billion (not including deferred charges, premiums, and discounts) or 87 percent is secured by the full faith and credit of the government (general obligation bonds and guaranteed revenue bonds), and $1.3 billion or 13 percent in State Road and Tollway Authority GARVEE debt secured by Federal Highway funds and state motor fuel funds.

Total general obligation bonds and revenue bonds payable net of premiums, discounts and deferred amounts on refunding decreased $63.1 million or 0.7 percent and $46.1 million or 2.1 percent respectively. During the fiscal year, the State issued $653.9 million of general obligation bonds and $478.6 million of revenue bonds. Of the general obligation bonds issued, $258.7 million was issued for higher education facilities, $237.9 million was used for K-12 school facilities, $34.0 million for water and sewer loans to local governments, and $123.3 million for various state agency facilities. Of the revenue bonds issued, $344.4 million was used to refund existing guaranteed revenue bonds, $40 million was used for improvements to the Georgia 400 tollroad and secured by toll revenues, and $94.2 million was used for capital facility projects on various college campuses throughout the State.

The State maintains a triple-A bond rating on its general obligation debt from all three national rating agencies. These ratings, the highest available, help the State achieve the lowest possible interest rates. Note 8, beginning on page 78, contains additional information about the State's outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The adopted fiscal year 2012 budget requires revenue growth of 3.6 percent and growth of 3.9 percent in total General Fund revenue over actual fiscal year 2011 General Fund collections. In order to mitigate the effects of recent economic conditions, the fiscal year 2012 budget was balanced through targeted agency budget reductions averaging about 7 percent (excluding K-12 education, Medicaid and State Hospitals), increased revenue collections, and efficiency gains in agency operations. In spite of the economic challenges that the State has faced in recent years, there is planned growth in the fiscal year 2012 budget.

Georgia's tax revenues have performed quite well into fiscal year 2012 with growth well above the rates required to meet the fiscal year 2012 budget. Tax revenues grew 7.1 percent in fiscal year 2011 and growth through the first five months of fiscal year 2012 has equaled 6.7 percent. Growth has been solid in terms of key components

most reflective of current economic conditions. Year to date withholding revenue and sales tax growth rates for fiscal year 2012 equal 4.1 percent and 5.3 percent, respectively.

Personal income has grown over the prior quarter for seven consecutive quarters in both Georgia and the U.S. after declining during the recession, but declined by 0.03 percent in the 3rd quarter of calendar year 2011. Wage and salary income grew in the 3rd quarter of calendar year 2011 after falling slightly in the prior quarter. Wage and salary income had increased for the five prior quarters. Georgia has yet to see consistent growth in non-farm employment. However, private employment is growing on a year over year basis but this growth has been outweighed by declines in government employment. In addition, construction and finance sector jobs are still declining on a year over year basis, while employment in other sectors is expanding, principally professional and business services, and education and health. The drag on employment growth from government and construction is expected to gradually ebb and employment growth is expected to pick up.

As the State begins the process of updating revenue estimates for the Amended fiscal year 2012 budget and the fiscal year 2013 budget, U.S. and Georgia economic growth is expected to continue at slow rates through the end of calendar year 2011 and is expected to gather some momentum in calendar year 2012, but remain moderate. The Governor's revised revenue estimate and budget recommendations for the Amended fiscal year 2012 and fiscal year 2013 budgets will be finalized and released in early January.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State of Georgia's finances for all of Georgia's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: State Accounting Office, 200 Piedmont Avenue, Suite 1604 West Tower, and Atlanta, Georgia 30334-9010.

BASIC FINANCIAL STATEMENTS

STATE OF GEORGIA
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Statement of Net Assets
June 30, 2011
(dollars in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash and Cash Equivalents	$ 2,311,531	$ 1,291,172	$ 3,602,703	$ 988,111
Investments	2,496,113	307,650	2,803,763	2,956,631
Receivables (Net)	2,979,326	946,136	3,925,462	4,972,256
Due from Primary Government	-	-	-	3,815
Due from Component Units	51,850	132,538	184,388	-
Internal Balances	228,387	(228,387)	-	-
Inventories	53,454	35,670	89,124	22,602
Prepaid Items	57,846	69,458	127,304	23,251
Other Assets	133,541	15,674	149,215	263,739
Deferred Capital Outflow	-	-	-	18,642
Restricted Assets				
Cash and Cash Equivalents	59,367	69,136	128,503	378,702
Investments	26,425	79,156	105,581	446,729
Receivables (Net)	-	-	-	729,992
Capital Assets				
Nondepreciable	7,505,426	646,713	8,152,139	566,430
Depreciable (Net of Accumulated Depreciation)	13,552,983	8,469,391	22,022,374	1,668,367
Total Assets	29,456,249	11,834,307	41,290,556	13,039,267
Liabilities				
Accounts Payable and Accrued Liabilities	1,615,674	239,951	1,855,625	372,140
Due to Primary Government	-	-	-	184,388
Due to Component Units	715	3,100	3,815	-
Benefits Payable	706,836	240,698	947,534	-
Accrued Interest Payable	147,228	709	147,937	7,488
Contracts Payable	126,379	13,002	139,381	10,847
Funds Held for Others	134,469	54,153	188,622	3,888
Unearned Revenue	119,285	402,885	522,170	992,381
Claims and Judgments Payable	471,192	-	471,192	9,266
Other Liabilities	128,216	40,448	168,664	159,960
Noncurrent Liabilities:				
Due within one year	1,056,271	195,336	1,251,607	188,501
Due in more than one year	10,145,023	5,271,667	15,416,690	4,689,994
Total Liabilities	14,651,288	6,461,949	21,113,237	6,618,853
Net Assets				
Invested in Capital Assets, Net of Related Debt	12,880,313	5,952,035	18,832,348	1,156,775
Restricted for:				
Bond Covenants/Debt Service	-	-	-	33,884
Capital Projects	928,295	30,158	958,453	82,605
Guaranteed Revenue Debt Common Reserve Fund	54,003	-	54,003	-
Loan and Grant Programs	-	-	-	1,199,578
Lottery for Education	608,607	-	608,607	-
Motor Fuel Tax Funds	1,820,845	-	1,820,845	-
Permanent Trusts:				
Nonexpendable	14	149,255	149,269	1,072,454
Expendable	-	282,980	282,980	938,918
Other Purposes	619,583	27,343	646,926	4,513
Unrestricted	(2,106,699)	(1,069,413)	(3,176,112)	1,931,687
Total Net Assets	$ 14,804,961	$ 5,372,358	$ 20,177,319	$ 6,420,414

The notes to the financial statements are an integral part of this statement.

Statement of Activities
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

Functions/Programs	Expenses	Program Revenues: Sales and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	$ 1,222,954	$ 1,887,736	$ 343,860	$ 13,068
Education	10,002,351	5,410	1,566,181	-
Health and Welfare	14,745,268	473,934	10,860,183	3,992
Transportation	1,517,213	26,496	168,542	1,437,190
Public Safety	1,974,964	160,161	291,730	5,177
Economic Development and Assistance	843,912	75,723	698,625	-
Culture and Recreation	233,608	131,186	81,583	6
Conservation	59,159	9,570	18,971	13,619
Interest and Other Charges on Long-Term Debt	462,602	-	-	-
Total Governmental Activities	31,062,031	2,770,216	14,029,675	1,473,052
Business-Type Activities:				
Higher Education Fund	7,622,542	2,647,604	2,524,350	95,837
State Employees' Health Benefit Plan	2,224,280	-	2,274,976	-
Unemployment Compensation Fund	2,954,208	-	2,758,001	-
Nonmajor Enterprise	26,613	35,476	39	10,380
Total Business-Type Activities	12,827,643	2,683,080	7,557,366	106,217
Total Primary Government	$ 43,889,674	$ 5,453,296	$ 21,587,041	$ 1,579,269
Component Units				
Georgia Environmental Finance Authority	$ 171,177	$ 60,170	$ 135,843	$ 93,694
Georgia Housing and Finance Authority	275,161	16,734	265,142	-
Georgia Lottery Corporation	3,347,419	3,340,224	176	-
Georgia Tech Foundation, Incorporated	95,502	12,615	229,822	-
Nonmajor Component Units	2,270,380	1,297,205	1,078,819	67,352
Total Component Units	$ 6,159,639	$ 4,726,948	$ 1,709,802	$ 161,046
General Revenues:				
Taxes				
Personal Income Taxes				
General Sales Taxes				
Other Taxes				
Unrestricted Investment Income				
Unclaimed Property				
Other				
Payments from the State of Georgia				
Contributions to Permanent Endowments				
Special Items				
Transfers				
Total General Revenues, Contributions to Permanent Endowments and Transfers				
Change in Net Assets				
Net Assets - Beginning - Restated (Note 3)				
Net Assets - Ending				

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ 1,021,710		$ 1,021,710	
(8,430,760)		(8,430,760)	
(3,407,159)		(3,407,159)	
115,015		115,015	
(1,517,896)		(1,517,896)	
(69,564)		(69,564)	
(20,833)		(20,833)	
(16,999)		(16,999)	
(462,602)		(462,602)	
(12,789,088)		(12,789,088)	
	$ (2,354,751)	(2,354,751)	
	50,696	50,696	
	(196,207)	(196,207)	
	19,282	19,282	
	(2,480,980)	(2,480,980)	
(12,789,088)	(2,480,980)	(15,270,068)	
			$ 118,530
			6,715
			(7,019)
			146,935
			172,996
			438,157
7,797,739	-	7,797,739	-
5,133,404	-	5,133,404	-
2,330,338	-	2,330,338	25,785
(3,066)	-	(3,066)	-
98,098	-	98,098	-
30,285	-	30,285	-
-	-	-	64,081
-	-	-	36,445
288,000	-	288,000	(288,000)
(2,532,118)	2,532,118	-	-
13,142,680	2,532,118	15,674,798	(161,689)
353,592	51,138	404,730	276,468
14,451,369	5,321,220	19,772,589	6,143,946
$ 14,804,961	$ 5,372,358	$ 20,177,319	$ 6,420,414

Balance Sheet
Governmental Funds
June 30, 2011
(dollars in thousands)

	General Fund	General Obligation Bond Projects Fund	Nonmajor Funds	Total
Assets				
Cash and Cash Equivalents	$ 1,998,607	$ 247,867	$ 3,774	$ 2,250,248
Investments	1,603,070	785,057	748	2,388,875
Receivables, Net	2,847,903	79,236	4,375	2,931,514
Due from Other Funds	549	-	4,022	4,571
Due from Component Units	51,787	-	-	51,787
Inventories	38,821	-	-	38,821
Restricted Assets				
Cash and Cash Equivalents	14,434	-	44,934	59,368
Investments	8,808	-	17,617	26,425
Other Assets	162,334	1,283	54	163,671
Total Assets	$ 6,726,313	$ 1,113,443	$ 75,524	$ 7,915,280
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable and Other Accruals	$ 1,510,819	$ 39,740	$ 2,224	$ 1,552,783
Due to Other Funds	301,106	514	143	301,763
Due to Component Units	715	-	-	715
Benefits Payable	706,836	-	-	706,836
Contracts Payable	97,919	28,460	-	126,379
Undistributed Local Government Sales Tax	19,000	-	-	19,000
Funds Held for Others	132,460	-	-	132,460
Deferred Revenue	117,777	1,306	-	119,083
Other Liabilities	125,650	16,401	65	142,116
Total Liabilities	3,012,282	86,421	2,432	3,101,135
Fund Balances:				
Nonspendable	94,810	-	68	94,878
Restricted	2,951,728	1,017,053	62,550	4,031,331
Unrestricted				
Committed	9,403	-	-	9,403
Assigned	256,676	9,969	10,474	277,119
Unassigned	401,414	-	-	401,414
Total Fund Balances	3,714,031	1,027,022	73,092	4,814,145
Total Liabilities and Fund Balances	$ 6,726,313	$ 1,113,443	$ 75,524	$ 7,915,280

The notes to the financial statements are an integral part of this statement.

Reconciliation of Fund Balances
To the Statement of Net Assets
June 30, 2011
(dollars in thousands)

Total Fund Balances - Governmental Funds (from previous page)		$ 4,814,145
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:		
Land	$ 3,063,042	
Buildings and Building Improvements	3,099,528	
Improvements Other Than Buildings	75,700	
Equipment	788,294	
Infrastructure	23,298,452	
Construction in Progress	4,328,012	
Works of Art	94	
Intangibles	91,554	
Software	165,236	
Accumulated Depreciation	(14,135,331)	20,774,581
Bond issuance costs are reported as expenditures in the funds. However, issuance costs are deferred and amortized over the life of the bonds and are included in governmental activities in the Statement of Net Assets.		28,636
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		528,768
Certain long-term liabilities and related accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.		
General Obligation Bonds	(8,551,145)	
Premiums	(389,860)	
Deferred Amount on Refunding	182,232	
Accrued Interest Payable	(136,900)	
Revenue Bonds	(1,731,970)	
Premiums	(132,412)	
Accrued Interest Payable	(10,325)	
Capital Leases	(223,429)	
Compensated Absences	(315,071)	
Long-Term Notes	(19,600)	
Arbitrage Rebate	(12,689)	(11,341,169)
Total Net Assets - Governmental Activities		$ 14,804,961

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	General Fund	General Obligation Bond Projects Fund	Nonmajor Funds	Total
Revenues:				
Taxes	$ 15,261,481	$ -	$ -	$ 15,261,481
Licenses and Permits	581,994	-	-	581,994
Intergovernmental - Federal	14,698,354	11,354	-	14,709,708
Intergovernmental - Other	580,769	71,475	-	652,244
Sales and Services	464,026	7,081	129	471,236
Fines and Forfeits	458,341	-	-	458,341
Interest and Other Investment Income	(2,494)	15,233	191	12,930
Unclaimed Property	98,098	-	-	98,098
Lottery Proceeds	846,106	-	-	846,106
Nursing Home Provider Fees	128,771	-	-	128,771
Hospital Provider Payments	215,080	-	-	215,080
Other	93,787	-	540	94,327
Total Revenues	33,424,313	105,143	860	33,530,316
Expenditures:				
Current:				
General Government	872,765	893	-	873,658
Education	9,981,903	-	-	9,981,903
Health and Welfare	14,721,528	-	-	14,721,528
Transportation	1,695,992	-	3,720	1,699,712
Public Safety	1,874,257	-	-	1,874,257
Economic Development and Assistance	835,861	-	480	836,341
Culture and Recreation	275,974	-	-	275,974
Conservation	51,573	-	-	51,573
Capital Outlay	-	882,731	-	882,731
Debt Service				
Principal	-	-	845,300	845,300
Interest	33	-	493,812	493,845
Other Debt Service Expenditures	-	20,827	37,096	57,923
Intergovernmental	-	153,190	-	153,190
Total Expenditures	30,309,886	1,057,641	1,380,408	32,747,935
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,114,427	(952,498)	(1,379,548)	782,381
Other Financing Sources (Uses):				
Debt Issuance - General Obligation Bonds	-	653,925	-	653,925
Debt Issuance - Refunding Bonds	-	-	344,420	344,420
Debt Issuance - General Obligation Bonds - Premium	-	32,170	-	32,170
Debt Issuance - Refunding Bonds - Premium	-	-	55,821	55,821
Payment to Refunded Bond Escrow Agent	-	-	(398,339)	(398,339)
Capital Leases	25,851	-	-	25,851
Transfers In	78,456	14,682	1,374,305	1,467,443
Transfers Out	(3,483,724)	(49,062)	-	(3,532,786)
Net Other Financing Sources (Uses)	(3,379,417)	651,715	1,376,207	(1,351,495)
Special Item	288,000	-	-	288,000
Net Change in Fund Balances	23,010	(300,783)	(3,341)	(281,114)
Fund Balances, July 1 (Restated - Note 3)	3,691,021	1,327,805	76,433	5,095,259
Fund Balances, June 30	$ 3,714,031	$ 1,027,022	$ 73,092	$ 4,814,145

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

Net Change in Fund Balances - Governmental Funds (from previous page)		$ (281,114)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay (net of losses), net of transfers to Business-Type Activities, Component Units and outside organizations.	$ 1,393,249	
Depreciation expense	(995,763)	397,486
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		18,373
Bond proceeds (net of issuance costs and payments to refunding escrow) provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets.		(998,345)
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability.		(26,344)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces the long-term liabilities in the Statement of Net Assets. Payments were made on the following long-term liabilities:		
General Obligation Bonds	733,415	
Revenue Bonds	146,730	
Notes	-	
Capital Leases	28,733	908,878
Internal service funds are used by management to charge the costs of certain activities to individual funds. The incorporation of the external activities of these funds, and the elimination of profit/loss generated by primary government customers results in net revenue (expense) for Governmental Activities.		(32,811)
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This adjustment combines the net changes in the following balances:		
Compensated Absences	8,829	
Accrued Interest on Bonds Payable	23,953	
Arbitrage Rebate	8,681	
Amortization of Deferred Amount on Refunding	(15,372)	
Amortization of Bond Premiums	429,534	
Allocation of Deferred Bond Issuance Costs	(88,156)	367,469
Change in Net Assets - Governmental Activities		$ 353,592

The notes to the financial statements are an integral part of this statement.

Statement of Net Assets
Proprietary Funds
June 30, 2011
(dollars in thousands)

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Higher Education Fund	State Employees' Health Benefit Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	
Assets						
Current Assets:						
Cash and Cash Equivalents	$ 957,050	$ 29,163	$ 295,260	$ 9,699	$ 1,291,172	$ 61,283
Investments	161,877	20,643	-	3,590	186,110	31,120
Accounts Receivable (Net)	386,133	40,754	180,106	664	607,657	45,073
Due From Other Funds	-	-	-	-	-	391,868
Due From Component Units	132,538	-	-	-	132,538	65
Notes Receivable	424	-	-	3,600	4,024	-
Other Assets	104,939	-	-	264	105,203	16,435
Restricted Assets						
Cash and Cash Equivalents	-	-	-	57,094	57,094	-
Investments	-	-	-	10,655	10,655	-
Noncurrent Assets:						
Investments	121,364	150	-	26	121,540	76,119
Notes Receivable	45,145	-	-	289,310	334,455	-
Other Noncurrent Assets	-	-	-	15,599	15,599	-
Restricted Assets						
Cash and Cash Equivalents	9,530	-	-	2,512	12,042	-
Investments	68,424	-	-	77	68,501	-
Non-Depreciable Capital Assets	628,565	-	-	18,148	646,713	22,723
Depreciable Capital Assets, net	8,468,729	-	-	662	8,469,391	261,103
Total Assets	11,084,718	90,710	475,366	411,900	12,062,694	905,789
Liabilities						
Current Liabilities:						
Accounts Payable and Other Accruals	209,724	1,769	3,122	3,165	217,780	29,954
Due to Other Funds	90,579	12,657	-	4,022	107,258	62
Due to Component Units	3,100	-	-	-	3,100	-
Benefits Payable	23,289	200,136	17,273	-	240,698	-
Grants Payable	9,516	-	-	-	9,516	-
Unearned Revenue	310,604	59,197	21,747	-	391,548	202
Claims and Judgments Payable	-	-	-	-	-	471,192
Compensated Absences Payable - Current	126,307	130	-	87	126,524	3,497
Revenue Bonds Payable	-	-	-	9,420	9,420	-
Other Current Liabilities	165,678	-	-	1,053	166,731	2,047
Current Liabilities Payable from Restricted Assets	-	-	-	3,602	3,602	-
Noncurrent Liabilities:						
Compensated Absences Payable	89,441	182	-	87	89,710	3,853
Capital Leases/Installment Purchases Payable	3,111,385	-	-	-	3,111,385	-
Revenue Bonds Payable	-	-	-	319,177	319,177	-
Other Postemployment Benefit Obligation	1,017,399	-	-	-	1,017,399	-
Other Noncurrent Liabilities	14,701	-	728,000	-	742,701	-
Total Liabilities	5,171,723	274,071	770,142	340,613	6,556,549	510,807
Net Assets						
Invested in Capital Assets, Net of Related Debt	5,933,225	-	-	18,810	5,952,035	283,827
Restricted for:						
Capital Projects	30,158	-	-	-	30,158	-
Other	-	-	-	27,343	27,343	-
Permanent Trusts:						
Nonexpendable	149,255	-	-	-	149,255	-
Expendable	282,980	-	-	-	282,980	-
Unrestricted	(482,623)	(183,361)	(294,776)	25,134	(935,626)	111,155
Total Net Assets	$ 5,912,995	$ (183,361)	$ (294,776)	$ 71,287	5,506,145	$ 394,982
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.					(133,787)	
Net Assets of Business-Type Activities					$ 5,372,358	

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Higher Education Fund	State Employees' Health Benefit Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	
Operating Revenues:						
Operating Grants and Contributions/Premiums	$ 1,380,586	$ 2,274,781	$ 2,758,001	$ -	$ 6,413,368	$ 183,462
Rents and Royalties	5,816	-	-	52	5,868	50,507
Sales and Services	920,418	-	-	35,424	955,842	310,274
Tuition and Fees	2,183,562	-	-	-	2,183,562	-
Less: Scholarship Allowances	(551,479)	-	-	-	(551,479)	-
Other	89,286	-	-	-	89,286	1,376
Total Operating Revenues	4,028,189	2,274,781	2,758,001	35,476	9,096,447	545,619
Operating Expenses:						
Personal Services	4,536,489	4,849	-	2,758	4,544,096	57,456
Services and Supplies	1,869,263	110,949	-	5,633	1,985,845	316,217
Scholarships and Fellowships	587,620	-	-	-	587,620	-
Benefits	-	2,108,482	2,954,208	-	5,062,690	-
Claims and Judgments	-	-	-	-	-	152,367
Depreciation	420,061	-	-	739	420,800	21,403
Amortization	-	-	-	1,370	1,370	-
Total Operating Expenses	7,413,433	2,224,280	2,954,208	10,500	12,602,421	547,443
Operating Income (Loss)	(3,385,244)	50,501	(196,207)	24,976	(3,505,974)	(1,824)
Nonoperating Revenues (Expenses):						
Grants and Contributions	1,110,251	-	-	-	1,110,251	-
Interest and Other Investment Income	33,513	195	-	39	33,747	3,233
Interest Expense	(162,735)	-	-	(16,113)	(178,848)	-
Other	(48,095)	-	-	-	(48,095)	9,700
Total Nonoperating Revenues (Expenses)	932,934	195	-	(16,074)	917,055	12,933
Income (Loss) Before Contributions, Special Items and Transfers	(2,452,310)	50,696	(196,207)	8,902	(2,588,919)	11,109
Capital Contributions	514,665	-	-	10,380	525,045	7,807
Transfers:						
Transfers In	2,122,900	-	-	-	2,122,900	6,137
Transfers Out	(4,250)	-	(4,287)	-	(8,537)	(57,216)
Net Transfers	2,118,650	-	(4,287)	-	2,114,363	(51,079)
Change in Net Assets	181,005	50,696	(200,494)	19,282	50,489	(32,163)
Net Assets, July 1 (Restated - Note 3)	5,731,990	(234,057)	(94,282)	52,005		427,145
Net Assets, June 30	$ 5,912,995	$ (183,361)	$ (294,776)	$ 71,287		$ 394,982
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.					649	
					$ 51,138	

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Higher Education Fund	State Employees' Health Benefit Plan	Unemployment Compensation Fund	Nonmajor Enterprise Fund	Total	
Cash Flows from Operating Activities:						
Cash Received from Customers	$ 942,692	$ -	$ -	$ 20,563	$ 963,255	$ 370,147
Cash Received from Grants and Required Contributions/Premiums	1,367,641	2,253,212	2,743,784	14,953	6,379,590	133,382
Cash Received from Tuition and Fees	1,634,239	-	-	-	1,634,239	-
Cash Paid to Vendors	(2,727,568)	(113,638)	-	(5,226)	(2,846,432)	(319,971)
Cash Paid to Employees	(3,299,330)	(4,815)	-	(2,795)	(3,306,940)	(57,614)
Cash Paid for Benefits	-	(2,123,800)	(2,958,596)	-	(5,082,396)	-
Cash Paid for Claims and Judgments	-	-	-	-	-	(125,921)
Cash Paid for Scholarships, Fellowships and Loans	(597,382)	-	-	-	(597,382)	-
Other Operating Items (Net)	83,335	-	-	-	83,335	101
Net Cash Provided by (Used in) Operating Activities	(2,596,373)	10,959	(214,812)	27,495	(2,772,731)	124
Cash Flows from Noncapital Financing Activities:						
Payment to Lessee on Direct Financing Lease	-	-	-	(94,174)	(94,174)	-
Proceeds from Debt	-	-	312,000	136,339	448,339	-
Bond Issuance Costs	-	-	-	(2,487)	(2,487)	-
Interest Paid on Debt	-	-	-	(14,953)	(14,953)	-
Transfers from Other Funds	2,122,900	-	-	1,077	2,123,977	5,805
Transfers to Other Funds	(4,251)	-	(4,288)	-	(8,539)	(56,884)
Other Noncapital Items (Net)	1,029,234	-	-	-	1,029,234	10,328
Net Cash Provided by (Used in) Noncapital Financing Activities	3,147,883	-	307,712	25,802	3,481,397	(40,751)
Cash Flows from Capital and Related Financing Activities:						
Capital Contributions	-	-	-	10,380	10,380	-
Capital grants and gifts received	103,824	-	-	-	103,824	-
Proceeds from Sale of Capital Assets	4,428	-	-	-	4,428	481
Acquisition and Construction of Capital Assets	(479,033)	-	-	(12,741)	(491,774)	(3,910)
Principal Paid on Capital Debt	(70,016)	-	-	(19,830)	(89,846)	-
Interest Paid on Capital Debt	(147,435)	-	-	(1,303)	(148,738)	-
Net Cash Used in Capital and Related Financing Activities	(588,232)	-	-	(23,494)	(611,726)	(3,429)
Cash Flows from Investing Activities:						
Sale (Purchase) of Investments (Net)	9,985	(6,538)	-	21,526	24,973	34,023
Interest and Dividends Received	15,240	196	-	39	15,475	5,418
Net Cash Provided by (Used in) Investing Activities	25,225	(6,342)	-	21,565	40,448	39,441
Net Increase (Decrease) in Cash and Cash Equivalents	(11,497)	4,617	92,900	51,368	137,388	(4,615)
Cash and Cash Equivalents, July 1	978,077	24,546	202,360	17,937	1,222,920	65,898
Cash and Cash Equivalents, June 30	$ 966,580	$ 29,163	$ 295,260	$ 69,305	$ 1,360,308	$ 61,283

(continued)

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Higher Education Fund	State Employees' Health Benefit Plan	Unemployment Compensation Fund	Nonmajor Enterprise Fund	Total	
Reconciliation of operating income to net cash provided (used) by operating activities						
Operating Income (Loss)	$ (3,385,244)	$ 50,501	$ (196,207)	$ 24,976	$ (3,505,974)	$ (1,824)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Depreciation/Amortization Expense	420,061	-	-	2,109	422,170	21,402
Other	-	-	-	(36)	(36)	-
Changes in Assets and Liabilities:						
Decrease (Increase) in Accounts Receivable	(26,851)	(1,295)	(14,076)	(81)	(42,303)	(2,455)
Decrease in Due From Other Funds	-	-	-	-	-	(32,618)
Decrease in Due from Component Units	-	-	-	-	-	90
Decrease (Increase) in Other Assets	5,991	-	-	407	6,396	(2,997)
Increase in Notes Receivable	1,077	-	-	-	1,077	-
Increase (Decrease) in Accounts Payable and Other Accruals	33,433	(2,684)	(1,046)	-	29,704	(812)
Increase (Decrease) in Due to Other Funds	-	(9,889)	-	-	(9,889)	(7,176)
Increase (Decrease) in Benefits Payable	-	(15,318)	(4,388)	-	(19,706)	-
Increase in Unearned Revenue	5,648	(10,385)	905	166	(3,666)	65
Decrease in Claims and Judgments Payable	-	-	-	-	-	26,447
Increase (Decrease) in Compensated Absences Payable	6,322	29	-	(37)	6,314	(134)
Increase in Other Postemployment Benefit Obligation	317,461	-	-	-	317,461	-
Increase (Decrease) in Other Liabilities	25,728	-	-	(9)	25,720	136
Increase in Current Liabilities Payable from Restricted Assets	1	-	-	-	1	-
Net Cash Provided by (Used) in Operating Activities	$ (2,596,373)	$ 10,959	$ (214,812)	$ 27,495	$ (2,772,731)	$ 124
Noncash Investing, Capital, and Financing Activities:						
Gift of Capital Assets Reducing Proceeds of Capital Grants and Gifts	$ 205,176	$ -	$ -	$ -	$ 205,176	$ -
Gift Reducing Proceeds of Gifts & Grants Recv'd from other than Capital Purp.	(98)	-	-	-	(98)	-
Gifts other than Capital Assets Reducing Proceeds of Grants and Gifts for Other than Capital Assets	7,508	-	-	-	7,508	-
Donation of Capital Assets	-	-	-	-	-	7,326
Change in Receivable from Grantor Agency affecting proceeds of Capital debt	(38)	-	-	-	(38)	-
Change in Accrued Interest Payable Affecting Interest Paid	13,392	-	-	-	13,392	-
Fixed Assets Acquired by Incurring Capital Lease Obligations	551,359	-	-	-	551,359	-
Change in Fair Value of Investments Recognized as a Component of Interest Income	18,820	-	-	-	18,820	(2,182)
Special Item - Equipment-Capital Asset Transfer	1,065	-	-	-	1,065	-
Reduction in Capital Lease Obligation	326	-	-	-	326	-
Other	2,544	-	-	-	2,544	-
Total Noncash Investing, Capital and Financing Activites	$ 800,054	$ -	$ -	$ -	$ 800,054	$ 5,144

The notes to the financial statements are an integral part of this statement.

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011
(dollars in thousands)

	Pension and Other Employee Benefits Trust	Investment Trust	Private Purpose Trust	Agency	Total
Assets					
Cash and Cash Equivalents	$ 411,715	$ 3,280,824	$ 6,621	$ 122,985	$ 3,822,145
Receivables					
Interest and Dividends	217,660	36	-	-	217,696
Due from Brokers for Securities Sold	36,302	-	-	-	36,302
Other	171,340	-	11	664	172,015
Due from Other Funds	14,008	-	-	-	14,008
Investments, at Fair Value					
Certificates of Deposit	-	-	-	2,769	2,769
Pooled Investments	14,442,601	1,838,743	5,089	15,745	16,302,178
Mutual Funds	1,436,276	-	-	704	1,436,980
Repurchase Agreements	1,561,593	-	-	-	1,561,593
Municipal, U. S. and Foreign Government Obligations	9,799,522	-	-	46,641	9,846,163
Corporate Bonds/Notes/Debentures	4,958,262	-	-	4,896	4,963,158
Stocks	37,952,599	-	-	-	37,952,599
Asset-Backed Securities	23,532	-	-	-	23,532
Mortgage Investments	62,673	-	-	-	62,673
Real Estate Investment Trusts	25,858	-	-	-	25,858
Capital Assets					
Land	2,071	-	-	-	2,071
Buildings	7,695	-	826	-	8,521
Software	29,325	-	-	-	29,325
Machinery and Equipment	4,842	-	103	-	4,945
Accumulated Depreciation	(33,525)	-	(374)	-	(33,899)
Other Assets	784	-	-	41,117	41,901
Total Assets	71,125,133	5,119,603	12,276	235,521	76,492,533
Liabilities					
Accounts Payable and Other Accruals	35,221	-	1	270	35,492
Due to Other Funds	1,364	-	-	-	1,364
Due to Brokers for Securities Purchased	129,654	-	-	-	129,654
Salaries/Withholdings Payable	-	-	-	20	20
Benefits Payable	51,126	-	-	-	51,126
Funds Held for Others	-	-	-	235,086	235,086
Notes Payable	26	-	-	-	26
Unearned Revenue	9,556	-	-	92	9,648
Compensated Absences Payable	56	-	200	-	256
Other Liabilities	-	-	681	53	734
Total Liabilities	227,003	-	882	235,521	463,406
Net Assets					
Held in Trust for:					
Pension Benefits	69,905,331	-	-	-	69,905,331
Other Postemployment Benefits	808,016	-	-	-	808,016
Other Employee Benefits	184,783	-	-	-	184,783
Pool Participants	-	5,119,603	-	-	5,119,603
Other Purposes	-	-	11,394	-	11,394
Total Net Assets	$ 70,898,130	$ 5,119,603	$ 11,394	$ -	$ 76,029,127

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	Pension and Other Employee Benefits Trust	Investment Trust	Private Purpose Trust	Total
Additions:				
Contributions/Assessments				
Employer	$ 1,973,410	$ -	$ -	$ 1,973,410
Plan Members/Participants	862,764	-	104,580	967,344
Other Contributions				
Fines and Bond Forfeitures	20,033	-	-	20,033
Insurance Company Premium Taxes	25,966	-	-	25,966
Insurance Premiums	7,284	-	-	7,284
Other Fees	4,998	-	-	4,998
Interest and Other Investment Income				
Dividends and Interest	1,613,252	13,388	136	1,626,776
Net Appreciation (Depreciation) in				
Investments Reported at Fair Value	11,024,592	(1,740)	-	11,022,852
Less: Investment Expense	(41,531)	(1,551)	-	(43,082)
Pool Participant Deposits	-	7,176,864	-	7,176,864
Other				
Transfers from Other Funds	2,059	-	-	2,059
Miscellaneous	14,797	-	-	14,797
Total Additions	15,507,624	7,186,961	104,716	22,799,301
Deductions:				
General and Administrative Expenses	73,849	-	2,743	76,592
Benefits	5,167,494	-	135,160	5,302,654
Pool Participant Withdrawals	-	7,058,316	-	7,058,316
Refunds	88,297	-	-	88,297
Total Deductions	5,329,640	7,058,316	137,903	12,525,859
Change in Net Assets Held in Trust for:				
Pension and Other Employee Benefits	10,177,984			10,177,984
Pool Participants		128,645		128,645
Other Purposes			(33,187)	(33,187)
Net Assets, July 1	60,720,146	4,990,958	44,581	65,755,685
Net Assets, June 30	$ 70,898,130	$ 5,119,603	$ 11,394	$ 76,029,127

The notes to the financial statements are an integral part of this statement.

Statement of Net Assets
Component Units
June 30, 2011
(dollars in thousands)

	Georgia Environmental Finance Authority	Georgia Housing and Finance Authority	Georgia Lottery Corporation	Georgia Tech Foundation, Incorporated	Nonmajor Component Units	Total
Assets						
Current Assets:						
Cash and Cash Equivalents	$ 293,971	$ 49,094	$ 4,541	$ 4,365	$ 636,140	$ 988,111
Investments	135,484	18,606	-	-	185,354	339,444
Receivables						
Accounts (Net)	22,183	-	179,835	33,395	291,975	527,388
Taxes	-	-	-	-	464	464
Interest and Dividends	10,540	698	-	-	2,455	13,693
Notes and Loans (Net)	-	-	-	1,021	261,513	262,534
Due from Primary Government	-	-	-	-	3,815	3,815
Due from Component Units	-	-	-	15	894	909
Intergovernmental Receivables	21,039	-	-	-	14,787	35,826
Other Current Assets	3,964	24,136	4,655	-	107,582	140,337
Noncurrent Assets:						
Investments	988	109,279	-	1,322,464	1,184,456	2,617,187
Receivables (Net)						
Notes and Loans	1,485,270	585,798	-	-	2,757	2,073,825
Other	-	-	-	200,962	1,857,564	2,058,526
Due from Component Units	-	-	-	-	102,321	102,321
Restricted Assets						
Cash and Cash Equivalents	-	156,952	6,220	-	215,530	378,702
Investments	-	121,539	287,888	-	37,302	446,729
Receivables (Net)						
Notes and Loans	-	720,858	-	-	-	720,858
Interest and Dividends	-	9,065	-	-	-	9,065
Other	-	-	-	-	69	69
Deferred Charges	-	14,162	-	-	-	14,162
Non-depreciable capital assets	-	800	-	3,395	562,235	566,430
Depreciable capital assets, net	55	2,778	4,359	33,771	1,627,404	1,668,367
Deferred Capital Outflow	-	-	-	-	18,642	18,642
Other Noncurrent Assets	-	-	-	27,447	127,646	155,093
Total Assets	1,973,494	1,813,765	487,498	1,626,835	7,240,905	13,142,497

(continued)

The notes to the financial statements are an integral part of this statement.

Statement of Net Assets
Component Units
June 30, 2011
(dollars in thousands)

	Georgia Environmental Finance Authority	Georgia Housing and Finance Authority	Georgia Lottery Corporation	Georgia Tech Foundation, Incorporated	Nonmajor Component Units	Total
Liabilities						
Current Liabilities:						
Accounts Payable and Other Accruals	23,570	33,659	136,701	7,336	170,273	371,539
Due to Primary Government	-	2	51,759	-	132,627	184,388
Due to Component Units	-	-	-	545	364	909
Funds Held for Others	-	-	-	-	3,888	3,888
Unearned Revenue	44,907	2,126	-	1,960	130,864	179,857
Notes and Loans Payable	-	-	-	17,071	19,253	36,324
Revenue/Mortgage Bonds Payable	3,505	34,400	-	7,320	60,667	105,892
Other Current Liabilities	146	60,803	12,071	2,456	67,817	143,293
Current Liabilities Payable from Restricted Assets:						
Accrued Interest Payable	-	-	-	-	3,418	3,418
Revenue Bonds Payable	-	-	-	-	9,210	9,210
Other	-	-	6,205	-	9,313	15,518
Noncurrent Liabilities:						
Unearned Revenue	-	590,858	-	37,853	183,813	812,524
Notes and Loans Payable	-	-	-	8,000	396,552	404,552
Revenue/Mortgage Bonds Payable	221,892	909,962	-	238,106	2,431,187	3,801,147
Grand Prizes Payable	-	-	259,464	-	-	259,464
Due to Component Units	-	-	-	102,321	-	102,321
Derivative Instrument Payable	-	-	-	22,721	47,677	70,398
Other Noncurrent Liabilities	417	-	3,694	10,195	203,135	217,441
Total Liabilities	294,437	1,631,810	469,894	455,884	3,870,058	6,722,083
Net Assets						
Invested in Capital Assets, Net of Related I	48	3,578	4,359	1,355	1,147,435	1,156,775
Restricted for:						
Bond Covenants/Debt Service	-	-	-	-	33,884	33,884
Capital Projects	-	-	-	8,520	74,085	82,605
Permanent Trusts						
Expendable	-	-	-	586,267	352,651	938,918
Nonexpendable	-	-	-	477,363	595,091	1,072,454
Loan and Grant Programs	1,199,578	-	-	-	-	1,199,578
Other Purposes	-	-	-	-	4,513	4,513
Unrestricted	479,431	178,377	13,245	97,446	1,163,188	1,931,687
Total Net Assets	$ 1,679,057	$ 181,955	$ 17,604	$ 1,170,951	$ 3,370,847	$ 6,420,414

The notes to the financial statements are an integral part of this statement.

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Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	Georgia Environmental Finance Authority	Georgia Housing and Finance Authority	Georgia Lottery Corporation	Georgia Tech Foundation, Incorporated	Nonmajor Component Units	Total
Expenses	$ 171,177	$ 275,161	$ 3,347,419	$ 95,502	$ 2,270,380	$ 6,159,639
Program Revenues:						
Sales and Charges for Services	60,170	16,734	3,340,224	12,615	1,297,205	4,726,948
Operating Grants and Contributions	135,843	265,142	176	229,822	1,078,819	1,709,802
Capital Grants and Contributions	93,694	-	-	-	67,352	161,046
Total Program Revenues	289,707	281,876	3,340,400	242,437	2,443,376	6,597,796
Net Revenue	118,530	6,715	(7,019)	146,935	172,996	438,157
General Revenues:						
Taxes	-	-	-	-	25,785	25,785
Payments from the State of Georgia	-	-	-	-	64,081	64,081
Contributions to Permanent Endowments	-	-	-	23,964	12,481	36,445
Total General Revenues	-	-	-	23,964	102,347	126,311
Special Item	(288,000)	-	-	-	-	(288,000)
Change in Net Assets	(169,470)	6,715	(7,019)	170,899	275,343	276,468
Net Assets, July 1 - Restated (Note 3)	1,848,527	175,240	24,623	1,000,052	3,095,504	6,143,946
Net Assets, June 30	$ 1,679,057	$ 181,955	$ 17,604	$ 1,170,951	$ 3,370,847	$ 6,420,414

The notes to the financial statements are an integral part of this statement.

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Notes to the Financial Statements
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of the State of Georgia (State) have been prepared in conformity with GAAP as prescribed by the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The State's significant accounting policies are described below.

B. Financial Reporting Entity

For financial reporting purposes, the State reporting entity includes the primary government and its component units. The primary government consists of all the organizations that compose the legal entity of the State. All agencies, departments, authorities, commissions, courts, councils, boards, universities, colleges, retirement funds, associations and other organizations that are not legally separate are, for financial reporting purposes, considered part of the primary government. Component units are legally separate organizations for which the State's elected officials are financially accountable.

Financial accountability is the ability of the State to appoint a voting majority of an organization's governing board and to impose its will upon the organization or when there exists the potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government. When the State does not appoint a voting majority of an organization's governing body, GASB standards require inclusion in the financial reporting entity if an organization is fiscally dependent upon the State, its resources are held for the direct benefit of the State or can be accessed by the State, or the relationship is such that it would be misleading to exclude it.

Blended Component Units
Blended component units provide services entirely or almost entirely to the primary government. As such, although they are legally separate entities, they are, in substance, part of the government's operations. GASB standards require this type of component unit to be reported as part of the primary government and blended into the appropriate funds. The State has only one component unit that is blended into a major fund, the Higher Education Fund, an enterprise fund. The description for this component unit follows:

Georgia Military College (College) was created as a public authority, a body corporate and politic, and is an instrumentality of the State and a public corporation. The institution is dedicated to providing a high-quality military education to the youth of the State. The Board of Trustees (Board) consists of the mayor of the City of Milledgeville and six additional members, one of which is elected from each of the six municipal voting districts of the City of Milledgeville, as required by statute. The government, control, and management of the college are vested in the Board. The College receives any designated funds appropriated by the General Assembly through the State Board of Regents.

The State's other blended component units, as described in the Nonmajor Governmental Funds, Nonmajor Enterprise Funds and Internal Service Funds portions of the Supplementary Information – Combining and Individual Fund Statements category of the Financial Section, are as follows:

Special Revenue Funds
Georgia Economic Development Foundation, Inc.
Georgia Natural Resources Foundation
Georgia Tourism Foundation
State Road and Tollway Authority

Enterprise Funds
Georgia Higher Education Facilities Authority
State Road and Tollway Authority

Internal Service Funds
Georgia Aviation Authority
Georgia Building Authority
Georgia Correctional Industries Administration
Georgia Technology Authority

Discretely Presented Component Units

Discrete presentation entails reporting component unit financial data in a separate column and/or rows in each of the government-wide statements to emphasize that these component units are legally separate from the State. The State's major discretely presented component units are described below:

Georgia Environmental Finance Authority (Authority) is a body corporate and politic. The Authority provides assistance to local governments in constructing, extending, rehabilitating, repairing, replacing and renewing environmental facilities by providing financial and technical assistance. The Authority is governed by a board of directors consisting of three officials designated by statute and eight members appointed by the Governor.

Georgia Housing and Finance Authority (Authority) is a body corporate and politic. The Authority is responsible for facilitating housing and housing finance and financing for health facilities and health care services throughout the State. The powers of the Authority are vested in eighteen members who also comprise the board of the Department of Community Affairs (DCA). Board members are appointed by the Governor and are composed of one member from each United States Congressional District in the State, plus five additional members from the State at large, and include elected officials of counties or municipalities, individuals with an interest or expertise in community or economic development, environmental issues, housing development or finance or citizens who in the judgment and discretion of the Governor would enhance the DCA board.

Georgia Lottery Corporation (Corporation) is a public body, corporate and politic. The Corporation operates lottery games to provide continuing entertainment to the public and maximize revenues, the net proceeds of which are utilized to support improvements and enhancements for educational purposes. The Corporation is governed by a board of directors composed of seven members, all of which are appointed by the Governor. The State is legally entitled to residual resources of the Corporation.

Georgia Tech Foundation, Incorporated is a nonprofit organization established to promote, in various ways, the cause of higher education in the State of Georgia, to raise and receive funds for the support and enhancement of the Georgia Institute of Technology, and to aid the Georgia Institute of Technology in its development as a leading educational institution.

The State's nonmajor discretely presented component units, as described in the Nonmajor Component Units portion of the Supplementary Information – Combining and Individual Fund Statements category of the Financial Section, are as follows:

Authorities and Similar Organizations

Geo. L. Smith II Georgia World Congress Center Authority
Georgia Agricultural Exposition Authority
Georgia Agrirama Development Authority
Georgia Development Authority
Georgia Foundation for Public Education
Georgia Higher Education Assistance Corporation
Georgia Highway Authority
Georgia International and Maritime Trade Center Authority
Georgia Medical Center Authority
Georgia Music Hall of Fame Authority
Georgia Ports Authority
Georgia Public Telecommunications Commission
Georgia Rail Passenger Authority
Georgia Regional Transportation Authority
Georgia Seed Development Commission
Georgia Sports Hall of Fame Authority
Georgia Student Finance Authority
Jekyll Island State Park Authority
Lake Lanier Islands Development Authority
North Georgia Mountains Authority
Oconee River Greenway Authority
OneGeorgia Authority
Regional Educational Service Agencies
Sapelo Island Heritage Authority
Southwest Georgia Railroad Excursion Authority
Stone Mountain Memorial Association
Superior Court Clerks' Cooperative Authority

Higher Education Foundations and Similar Organizations
Armstrong Atlantic State University Educational Properties Foundation, Incorporated
Georgia College & State University Foundation
Georgia Southern University Housing Foundation, Incorporated
Georgia State University Foundation, Incorporated
Georgia State University Research Foundation, Incorporated
Georgia Tech Athletic Association
Georgia Tech Facilities, Incorporated
Georgia Tech Research Corporation
Kennesaw State University Foundation, Incorporated
Medical College of Georgia Foundation, Incorporated
Medical College of Georgia Heath, Incorporated
Medical College of Georgia Health System, Incorporated
Medical College of Georgia Physicians Practice Group Foundation
University of Georgia Athletic Association, Incorporated
University of Georgia Foundation
University of Georgia Research Foundation, Incorporated
University System of Georgia Foundation, Incorporated
Valdosta State University Auxiliary Services Real Estate Foundation, Incorporated

Fiduciary Component Units
GAAP requires fiduciary component units to be reported as fiduciary funds of the primary government rather than as discrete component units. In accordance with GAAP, fiduciary funds and component units that are fiduciary in nature are excluded from the government-wide financial statements. The State's two most significant fiduciary component units are the Employees' Retirement System of Georgia and the Teachers Retirement System of Georgia. Fiduciary component units are detailed in the Fiduciary Funds portion of the Supplementary Information – Combining and Individual Fund Statements category of the Financial Section.

The State's significant component units issue separate audited financial statements. The financial statements for fiduciary component units and authorities and similar organizations can be obtained from their respective administrative offices or from the Georgia Department of Audits and Accounts. The financial statements for the higher education foundations and similar organizations can be obtained from their respective administrative offices or from the Board of Regents of the University System of Georgia.

C. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements
The Statement of Net Assets and Statement of Activities display information about the primary government and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are financed through taxes, intergovernmental revenues, and other non-exchange revenues, are reported separately from business-type activities, which are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from its discretely presented component units.

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets.

The Statement of Activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

Fund Financial Statements
Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded

from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds. Internal service funds are also aggregated and reported in a separate column on the proprietary funds financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenues in the fiscal year in which eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when cash or other assets are received prior to being earned. Additionally, long-term assets and liabilities, such as capital assets and long-term debt, are included on the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the State generally considers taxes and other revenues to be available if the revenues are collected within 30 days after fiscal year-end. An exception to this policy is federal grant revenues, which generally are considered to be available if collection is expected within 12 months after year-end. All deferred revenue reported represents revenue that is unearned, rather than unavailable. Capital purchases are recorded as expenditures and neither capital assets nor long-term liabilities, such as long-term debt, are reflected on the balance sheet.

Expenditures generally are recorded when the related fund liability is incurred, as under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, and other long-term liabilities, are recorded only when payment is due or (for debt service expenditures) when amounts have been accumulated in the debt service fund for payments to be made early in the subsequent fiscal year.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition, such as investment earnings, are reported as nonoperating.

The State's proprietary funds and discretely presented component units, other than certain higher education foundations and similar organizations, follow all GASB pronouncements, and all Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. Certain higher education foundations and similar organizations report under FASB standards; including FASB Codification Topic 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to GASB presentation in these financial statements.

Generally accepted accounting principles require that revenues and expenses relating to summer school activities, the dates of which cross the State's fiscal year, are allocated between fiscal years rather than reported in a single fiscal year with the exception of teachers' salaries which are recorded in the fiscal year earned. The Higher Education Fund (major enterprise fund) reports summer revenues and expenses in the year in which the predominant activity takes place.

The State reports the following major funds:

Major Governmental Funds

- *General Fund* - the principal operating fund of the State which accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- *General Obligation Bond Projects Fund* - accounts for the financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds) financed with General Obligation Bond proceeds, including educational facilities for county and independent school systems.

Major Enterprise Funds

- *Higher Education Fund* **-** accounts for the operations of State colleges and universities and State technical colleges.

- *State Employees' Health Benefit Plan* **-** a self-insured program of health benefits for the employees of units of government of the State of Georgia, units of county government and local education agencies located within the State of Georgia.

- *Unemployment Compensation Fund* - accounts for the collection of employers' unemployment insurance tax and the payment of unemployment insurance benefits.

Additionally, the State reports the following fund types:

Governmental Funds

- *Special Revenue Funds* - account for specific revenue sources that are legally restricted to expenditures for specific purposes. The State's special revenue funds represent the blended component units that conduct general governmental functions.

- *Debt Service Funds* - account for the payment of principal and interest on general long-term debt. The primary government debt service fund is the General Obligation Debt Sinking Fund. The Debt Sinking Fund is a legally mandated fund responsible for fulfilling annual debt service requirements on all general obligation debt.

- *Permanent Funds* - account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the State's programs. The only permanent fund the State has is the Pupils Trust Fund at Georgia Academy for the Blind.

Proprietary Funds

- *Enterprise Funds* **-** account for those activities for which fees are charged to external users for goods or services. These funds are also used when the activity is financed with debt that is secured by a pledge of the net revenues from fees. The State Road and Tollway Authority's Proprietary Funds and the Georgia Higher Education Facilities Authority are the State's nonmajor enterprise funds.

- *Internal Service Funds* - account for the financing of goods or services provided by one department or agency to other State departments or agencies, or to other governmental entities, on a cost-reimbursement basis. The predominant participant in internal service fund activity is the primary government. The activities accounted for in the State's internal service funds include risk management, prison industries, property management, technology, and personnel administration.

Fiduciary Funds

- *Pension and Other Employee Benefit Trust Funds* - account for the retirement systems and plans administered by the Employees' Retirement System, for the Teachers Retirement System, and for pension plans administered on behalf of a variety of local government officials and employees. These funds also include those used to report the accumulation of resources for, and payment of, other postemployment benefits.

- *Investment Trust Funds* - account for the external portions of government-sponsored investment pools, including Georgia Fund 1, Georgia Extended Asset Pool, and the Regents Investment Pool.

- *Private Purpose Trust Funds* **-** report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Auctioneers Recovery Fund, and Real Estate Education, Research, and Recovery Fund and the Subsequent Injury Trust Fund are reported in this category.

- *Agency Funds* - account for the assets and liabilities for deposits and investments entrusted to the State as an agent for other governmental units, other organizations, or individuals. These funds include tax collections, child support recoveries, and correctional detainees' accounts.

E. Assets, Liabilities, and Net Assets/Fund Balances

1. Cash and Cash Equivalents

Cash and cash equivalents include currency on hand and demand deposits with banks and other financial institutions and short-term, highly liquid investments with maturity dates within three months of the date acquired, such as certificates of deposits, money market certificates and repurchase agreements.

2. Investments

Investments include financial instruments with terms in excess of three months from the date of purchase, certain other securities held for the production of revenue, and land and other real estate held as investments by endowments. Investments are presented at fair value. Changes in the fair value of land and other real estate held as investments by endowments are reported as investment income.

The State Depository Board may permit any department, board, bureau or other agency to invest funds collected directly by such organization in short-term time deposit agreements, provided that the interest income of those funds is remitted to the State Treasurer as revenues of the State of Georgia. As a matter of general practice, however, demand funds of any department, board, bureau or other agency in excess of current operating expenses are required to be deposited with the State Treasurer for the purpose of pooled investment per the Official Code of Georgia Annotated (OCGA) 50-17-63. Such cash is managed in a pooled investment fund to maximize interest earnings. The pooled investment funds "Georgia Fund 1" and "Georgia Extended Asset Pool" are also available on a voluntary basis to organizations outside of the State reporting entity.

The Georgia Fund 1 or Primary Liquidity Portfolio's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal. Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and values participants' shares sold and redeemed at the pool's share price, $1.00 per share. Investments are directed toward short-term instruments.

The Georgia Extended Asset Pool is part of the Extended Term Portfolio. The pool's primary objective is the prudent management of public funds on behalf of the State of Georgia and local governments seeking income higher than money market rates. Net Asset Value (NAV) is calculated daily to determine current share price. NAV is calculated by taking the closing fair value of securities owned plus other assets and subtracting liabilities. The remainder is then divided by the total number of shares outstanding to compute NAV per share (current share price). The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on the current share price. Investments consist generally of securities issued or guaranteed as to principal and interest by the U. S. Government or any of its agencies or instrumentalities, bankers' acceptances and repurchase agreements.

Units of the University System of Georgia and their affiliated organizations may participate in the Regents Investment Pool. The fair value of the investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest it earns. The Regents Investment Pool maintains an assortment of funds which invest in diverse holdings with varying investment objectives.

The State's Unemployment Compensation Fund monies are required by the Social Security Act to be invested in the U. S. Department of Treasury, Bureau of Public Debt Unemployment Trust Fund (BPDUTF), which is not registered with the SEC. The fair value of the position in the BPDUTF is the same as the value of the BPDUTF shares.

3. Receivables

Receivables in the State's governmental funds pertain primarily to Federal grants and to revenues related to charges for services. Receivables in all other funds have arisen in the ordinary course of business. Receivables are recorded, net of an allowance for uncollectible accounts, when either the asset or revenue recognition criteria (See Note 1-D) have been met. Receivables from the Federal government are reasonably assured; an allowance for uncollectible accounts is not typically established for Federal receivables.

4. Inventories and Prepaid Items

Inventories of supplies and materials are determined by physical count and/or perpetual inventory records and are valued at cost, weighted average cost, moving average cost, or lower of weighted average cost or market, using the first-in/first-out (FIFO) method, depending on the individual organization's preference. The costs of governmental fund inventories are recorded as expenditures when consumed rather than when purchased for larger agencies and agencies with material inventories. Other agencies may use either the purchase or consumption method.

Prepaid items include payments made to vendors and local government organizations for services that will benefit periods beyond the fiscal year-end. Also, the employer's portion of health insurance benefits applicable to coverage effective after the fiscal year-end is recorded as a prepaid item.

The fund balance of governmental funds is reported as nonspendable for inventories and prepaid items to indicate that these amounts do not represent expendable available financial resources.

5. Restricted Assets

Certain cash, investments, and other assets are classified as restricted assets on the Balance Sheet and/or Statement of Net Assets because their use is limited by applicable bond covenants, escrow arrangements or other regulations.

6. Capital Assets

Capital assets of governmental funds are recorded as expenditures at the time of purchase and capitalized in the governmental activities column of the government-wide Statement of Net Assets. Capital assets of the State's proprietary funds and component units are capitalized in the fund in which they are utilized. Capital assets are stated at historical cost or, in some instances, estimated historical cost. Estimation methods include using historical sources to determine the cost of similar assets at the time of acquisition and indexing where the historical cost of an asset is estimated by taking the current cost of a similar asset and dividing it by an index figure which adjusts for inflation. Donated capital assets are stated at fair market value at the time of donation. Infrastructure acquired prior to fiscal years ended after June 30, 1980 is reported. All acquisitions in the following asset categories are capitalized regardless of cost:

- Land and non-depreciable land improvements
- Bridges and roadways included in the state highway system
- Works of art and collections, acquired or donated, unless held for financial gain.

Amounts for other asset categories are capitalized when the cost or value equals or exceeds the following thresholds. Items acquired through capital leases or donations are subject to these capitalization thresholds, using the classifications most closely related to the leased or donated assets.

Asset Category	*Threshold*
Infrastructure other than bridges and roadways in state highway system	$1,000,000
Software	1,000,000
Intangible assets, other than software	100,000
Buildings and building improvements	100,000
Improvements other than buildings	100,000
Library collections – capitalize all if collection equals or exceeds	100,000
Machinery and equipment	5,000

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized. The State holds certain assets such as works of art, historical documents, and artifacts that have not been capitalized or depreciated because either they are held for financial gain or they are protected and preserved for exhibition, education, or research and are considered to have inexhaustible useful lives.

Major outlays for construction of bridges and roadways in the State highway system are capitalized as projects are constructed. All other major construction projects are capitalized when projects are completed. Interest incurred during construction is not capitalized in governmental funds. Interest incurred during the construction of proprietary fund assets is included in the capitalized value of the asset.

Capital assets without indefinite or inexhaustible useful lives are amortized or depreciated on the straight-line basis over the following useful lives:

Infrastructure	10-100 years
Buildings and building improvements	5-60 years
Improvements other than buildings	15-50 years
Machinery and equipment	3-20 years
Software	3-10 years
Intangible assets, other than software	20 years
Library collections	10 years
Works of art and collections	5-40 years

7. Compensated Absences

Employees earn annual leave ranging from ten to fourteen hours each month depending upon the employee's length of continuous State service with a maximum accumulation of forty-five days. Employees are paid for unused accumulated annual leave upon retirement or termination of employment. Funds are provided in the appropriation of funds each fiscal year to cover the cost of annual leave of terminated employees. The State's obligation for accumulated unpaid annual leave is reported as a liability in the government-wide and proprietary fund financial statements.

Employees earn ten hours of sick leave each month with a maximum accumulation of ninety days. Sick leave does not vest with the employee. Unused accumulated sick leave is forfeited upon retirement or termination of employment. However, certain employees who retire with one hundred and twenty days or more of forfeited annual and sick leave are entitled to additional service credit in the Employees' Retirement System of Georgia. No liability is recorded for rights to receive sick pay benefits.

8. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities column or business-type activities column on the government-wide statement of net assets and on the proprietary fund statement of net assets in the fund financial statements. Bond discounts, premiums and issuance costs are deferred and amortized over the life of the bonds using a method that approximates the effective interest method or the straight-line method. Bonds payable are reported net of the unamortized bond premium or discount and, when applicable, the deferred amount on refunding. Bond issuance costs are reported as deferred charges (assets) and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The *Tax Reform Act of 1986* requires governmental organizations issuing tax-exempt bonds to refund to the U.S. Treasury interest earnings on bond proceeds in excess of the yield on those bonds. Governmental organizations must comply with arbitrage rebate requirements in order for their bonds to maintain tax-exempt status. Organizations are required to remit arbitrage rebate payments for non-purpose interest to the Federal government at least once every five years over the life of the bonds. Arbitrage liability is treated as an expense in the government-wide statements when the liability is recognized. In the fund financial statements, governmental funds report arbitrage (other debt service) expenditures when the liability is due.

Pollution remediation obligations are recorded when the State knows that a site is polluted and one or more obligating events have occurred. The amount recorded is an estimate of the current value of potential outlays for the cleanup, calculated using the "expected cash flows" measurement technique.

9. Net Assets

Net assets are reported as invested in capital assets, net of related debt, restricted or unrestricted. "Invested in capital assets, net of related debt" consists of capital assets, net of accumulated amortization/depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, indicating they are not available for general operations. Such designations have internally imposed constraints on resources, but can be removed or modified.

When both restricted and unrestricted net assets are available for use, it is the State's policy to allow each organization to determine spending order in a manner consistent with the Georgia Constitution and applicable State law which maximizes the benefit to the customer and/or the efficiency of the program.

10. Fund Balances

Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted into cash) or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the State or through the external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal actions of both the Governor and the General Assembly. Only the Governor and the General Assembly may modify or rescind the commitment by taking the same type of action it employed to previously commit the amounts (e.g., legislation).

Assigned – Fund balances are reported as assigned when amounts are constrained by the State's intent that they be used for specific purposes, but they are neither restricted nor committed. Assignments may be made under statutory authority of management of the reporting organizations in the State.

Unassigned – The residual amount of fund balance is reported as unassigned for balances that do not meet the above constraints. The government reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

As with net assets, when both restricted and unrestricted fund balances are available for use, it is the State's policy to allow each organization to determine spending order in a manner consistent with the Georgia Constitution and applicable State law which maximizes the benefit to the customer and/or the efficiency of the program. Within unrestricted fund balance, the State's policy is that committed amounts generally should be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

11. Interfund Activity and Balances

Equally offsetting asset and liability accounts (due from/to other funds) are used to account for amounts owed to a particular fund by another fund for short-term obligations on goods sold or services rendered.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements with the exception of activities between governmental activities and business-type activities. In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or requirements for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources. Transfers of balances between funds are made to accomplish various provisions of law.

Interfund payables and receivables have been eliminated from the statement of net assets except for amounts due between governmental and business-type activities. These amounts are reported as internal balances on the statement of net assets.

Notes continued on the next page.

NOTE 2 – CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

Financial Reporting Entity

The Georgia Natural Resources Foundation was established on August 20, 2010 as a nonprofit organization to support the efforts of the Georgia Department of Natural Resources (DNR) to sustain, enhance, protect and conserve Georgia's natural, historic and cultural resources for present and future generations, while recognizing the importance of promoting the development of commerce and industry that utilize sound environmental practices. This foundation is included in the nonmajor governmental funds.

The Georgia Foundation for Public Education, a nonprofit organization, was created effective July 1, 2010, to solicit and accept contributions of money and in-kind contributions of services and property for the purpose of supporting educational excellence in Georgia at the Georgia Academy for the Blind, the Georgia School for the Deaf, and the Atlanta Area School for the Deaf. This foundation is included in the nonmajor discretely presented component units of the State.

In fiscal year 2010 it was determined that the Armstrong Atlantic State University Educational Properties Foundation Inc., a higher education foundation, met the requirements for inclusion in the financial reporting entity. The addition of this foundation resulted in an increase in the beginning net assets of the component units of $14.0 million.

Change in Accounting Method

The State issues general obligation (GO) bonds to provide funds for the acquisition and construction of major capital facilities and equipment. In prior fiscal years, the State reported the activity for capital projects funded with GO bond proceeds, in one of two ways. For those state agencies, whose GO bond proceeds are managed by the Georgia State Financing and Investment Commission (GSFIC), such activity was presented in a separate "GSFIC" fund. For state agencies, which manage their own capital projects, the activity was shown as part of the General Fund in the governmental funds' statements. In fiscal year 2011, the State has chosen to present all capital projects activity funded with GO bond proceeds in a single "General Obligation Bond Projects Fund." Separate reporting enhances an understanding of the government's capital activities, and helps avoid the distortions in financial resources trend information that can arise when capital and operating activities are mixed. The beginning net assets of the General Fund and the General Obligation Bond Projects Fund have each been restated by $4.5 million to reflect the reclassification of this activity.

Adoption of New Accounting Principles

In fiscal year 2011, the State implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types.

Also in fiscal year 2011, the State implemented GASB Statement No. 59, *Financial Instruments Omnibus*. It emphasizes the applicability of Securities and Exchange Commission (SEC) requirements to certain external investment pools – known as 2a7-like pools – to provide users more consistent information on qualifying pools.

In fiscal year 2012, GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* takes effect. As Georgia does not have Agent multiple-employer plans, this Statement is not applicable. The State will implement GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* – an amendment of GASB Statement No. 53, which is also effective for fiscal year 2012. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. As of the date of this report, the State has not determined the financial impact of implementing this Statement.

Correction of Prior Year Errors

During the fiscal year, it was determined that capital assets, net accumulated depreciation, were overstated within the governmental activities in fiscal year 2010 by $47.2 million resulting in an overstatement of net assets, as reported. The beginning net assets of the governmental activities were decreased to reflect correction of net capital assets.

During the fiscal year it was determined that compensated absence liability was understated within governmental activities in fiscal year 2010 by $9.0 million resulting in an overstatement of net assets, as reported. The beginning net assets of the governmental activities were decreased to reflect correction of this liability.

During the fiscal year it was determined that capital assets, net accumulated depreciation, were understated within various institutions of the Board of Regents (Higher Education Fund) in fiscal year 2010 by $9.6 million resulting an understatement of net assets, as reported. The beginning net assets of the Higher Education Fund were increased to reflect correction of net capital assets.

During the fiscal year, it was determined that deferred revenue within the Unemployment Compensation Fund (business-type activities – enterprise funds) was overstated in fiscal year 2010 by $7.8 million, resulting in an understatement of net assets. The beginning net assets of the Unemployment Compensation Fund were increased to reflect correction of deferred revenues.

Changes in fund equities as previously reported for the fund and activities at June 30, 2010 are summarized in Note 3.

Notes continued on the next page.

NOTE 3 – FUND EQUITY RECLASSIFICATIONS AND RESTATEMENTS

	June 30, 2010 As Previously Reported	Adjustments	June 30, 2010 (Restated)
Governmental Funds and Activities			
Major Funds:			
General Fund	$ 3,695,474	$ (4,453)	$ 3,691,021
Georgia State Financing and Investment Commission/			
General Obligation Bond Projects Fund	1,323,352	4,453	1,327,805
Nonmajor Funds:			
Special Revenue Funds	76,419	-	76,419
Permanent Fund	14	-	14
Total Governmental Funds	5,095,259	-	5,095,259
Government-wide Adjustments			
Capital Assets, net of depreciation	20,422,593		
Correction of Prior Year Errors		(47,210)	20,375,383
Other Noncurrent Assets	28,713	-	28,713
Long-Term Liabilities	(11,600,581)		
Correction of Compensated Absence Liability		(8,983)	(11,609,564)
Inclusion of Internal Service Funds in Governmental Activities	561,578	-	561,578
Total Governmental Funds and Activities	**$14,507,562**	**$ (56,193)**	**$14,451,369**
Proprietary Funds and Business-Type Activities			
Major Funds:			
Higher Education Fund	$ 5,722,347		
Correction of Prior Year Errors		$ 9,643	$ 5,731,990
State Employees' Health Benefit Plan	(234,057)	-	(234,057)
Unemployment Compensation Fund	(102,110)		
Correction of Prior Year Errors		7,828	(94,282)
Nonmajor Funds:			
Enterprise Fund	52,005	-	52,005
Internal Service Funds	427,145	-	427,145
Internal Service Funds Look-Back Adjustments			
Removal of Internal Service Funds Relating to Governmental Activities	(561,581)	-	(561,581)
Total Proprietary Funds and Business-Type Activities	**$ 5,303,749**	**$ 17,471**	**$ 5,321,220**

	June 30, 2010 As Previously Reported	Adjustments	June 30, 2010 (Restated)
Fiduciary Funds			
Pension and Other Employee Benefit Trust Funds	$ 60,720,146	$ -	$ 60,720,146
Investment Trust Funds	4,990,958	-	4,990,958
Private Purpose Trust Funds	44,581	-	44,581
Total Fiduciary Funds	**$ 65,755,685**	**$ -**	**$ 65,755,685**
Discretely Presented Component Units			
Additions to Reporting Entity	$ 6,129,932	$ 14,014	$ 6,143,946
Total Discretely Presented Component Units	**$ 6,129,932**	**$ 14,014**	**$ 6,143,946**

Notes continued on the next page.

NOTE 4 – NET ASSETS/FUND BALANCES

A. Restricted Net Assets

Restricted net assets at June 30, 2011, are as follows (dollars in thousands):

	Governmental Activities	Business-Type Activities	Total Primary Government
Capital Projects	$ 928,295	$ 30,158	$ 958,453
Guaranteed Revenue Debt Common Reserve Fund	54,003	-	54,003
Lottery for Education	608,607	-	608,607
Motor Fuel Tax Funds	1,820,845	-	1,820,845
Permanent Trusts	14	432,235	432,249
Other Purposes	619,583	27,343	646,926
Total Restricted Net Assets	$ 4,031,347	$ 489,736	$ 4,521,083

The restricted net assets of the governmental activities include $92.0 million of net assets restricted by enabling legislation.

B. Fund Balances

The specific purposes of the governmental funds fund balances, classified as other than unassigned, at June 30, 2011 are as follows (dollars in thousands):

	General Fund	General Obligation Bond Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable Fund Balance				
Not in Spendable Form	$ 94,810	$ -	$ 54	$ 94,864
Legally Required to be Maintained Intact	-	-	14	14
Total Nonspendable Fund Balance	$ 94,810	$ -	$ 68	$ 94,878
Restricted Fund Balance				
Capital Projects	$ -	$ 928,295	$ -	$ 928,295
Guaranteed Revenue Debt Common Reserve Fund	54,003	-	-	54,003
Lottery For Education	608,607	-	-	608,607
Roads and Bridges (Motor Fuel Tax Funds)	1,758,294	-	62,551	1,820,845
Unissued Debt/Debt Service	217,916	-	-	217,916
Other				-
General Government	37,885	88,758	-	126,643
Education	5,239	-	-	5,239
Health and Welfare	69,795	-	-	69,795
Transportation	59,865	-	-	59,865
Public Safety	59,527	-	-	59,527
Economic Development and Assistance	20,733	-	-	20,733
Culture and Recreation	59,828	-	-	59,828
Conservation	36	-	-	36
Total Restricted Fund Balance	$ 2,951,728	$ 1,017,053	$ 62,551	$ 4,031,332
Committed Fund Balance				
General Government	$ 7,995	$ -	$ -	$ 7,995
Economic Development and Assistance	1,408	-	-	1,408
Total Committed Fund Balance	$ 9,403	$ -	$ -	$ 9,403
Assigned Fund Balance				
General Government	$ 69,072	$ 9,969	$ -	$ 79,041
Education	34,323	-	-	34,323
Health and Welfare	51,514	-	-	51,514
Transportation	26,329	-	10,039	36,368
Public Safety	62,085	-	-	62,085
Economic Development and Assistance	4,259	-	395	4,654
Culture and Recreation	8,475	-	39	8,514
Conservation	619	-	-	619
Total Assigned Fund Balance	$ 256,676	$ 9,969	$ 10,473	$ 277,118

C. Deficit Net Assets

The following funds reported total net asset deficits at June 30, 2011:

The State Employees' Health Benefit Plan (enterprise fund) ended the year with a deficit net assets balance of $183.4 million. The deficit was created in the prior fiscal year as the result of benefits paid to plan participants in excess of employee and employer contributions.

The Unemployment Compensation Fund (enterprise fund) ended the year with a deficit net assets balance of $294.8 million. The deficit was the result of benefits paid to claimants in excess of employer contribution in both the current and prior fiscal year.

The Unemployment Compensation Risk Management Fund at the Department of Administrative Services (internal service fund) ended the year with a deficit net assets balance of $4.9 million. This deficit was created in the prior year as the result of benefits paid to claimants in excess of employer contributions.

Charges by the Department of Administrative Services internal service fund have failed to recover the full cost of services provided. Therefore, the unadjusted deficit at June 30, 2011, of $790 thousand for this fund was charged back to the contributing funds. Expenditures of $490 thousand are reported in the General Fund and expenses of $6 thousand are reported in the Higher Education Fund (enterprise fund) relating to this charge back.

Notes continued on the next page.

NOTE 5 - DEPOSITS AND INVESTMENTS

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

	Primary Government and Fiduciary Funds	Component Units	Total
Cash and Cash Equivalents	$ 3,602,703	$ 988,111	$ 4,590,814
Investments	2,803,763	2,956,631	5,760,394
Restricted Assets			
Cash and Cash Equivalents	128,503	378,702	507,205
Investments	105,581	446,729	552,310
Fiduciary Funds			
Cash and Cash Equivalents	3,822,145	-	3,822,145
Investments	72,177,503	-	72,177,503
Total Cash and Investments	**$ 82,640,198**	**$4,770,173**	**$87,410,371**

Cash and investments as of June 30, 2011 consist of the following:

	Primary Government and Fiduciary Funds	Component Units	Total
Cash on Hand	$ 5,321	$ 65	$ 5,386
Deposits with Financial Institutions (Note 5A)	3,579,672	978,562	4,558,234
Investments (Note 5B)	79,687,287	3,159,464	82,846,751
Assets Held at the Office of the State Treasurer on Behalf of Other Organizations	(632,082)	632,082	-
Total Cash and Investments	**$82,640,198**	**$4,770,173**	**$87,410,371**

A. Deposits

Deposits include bank accounts and short-term investments, especially certificates of deposit. Funds belonging to the State of Georgia cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in OCGA 50-17-59:

1) Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the State of Georgia.

2) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.

3) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.
4) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.
5) Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Home Loan Mortgage Corporation and the Federal National Mortgage Association.

The State Treasurer may also accept letters of credit issued by a Federal Home Loan Bank or the guarantee or insurance of accounts of the Federal Deposit Insurance Corporation (FDIC) (to the extent authorized by federal law governing the FDIC) to secure state funds on deposit in state depositories. In addition, upon approval of the State Treasurer, a combination of the methods above may be utilized by a depository to secure deposits.

The State Depository Board (Board) is authorized in OCGA 50-17-53 to allow agencies of the State of Georgia the option of exempting demand deposits from the collateral requirements. However, the Board currently is not approving waiver requests and is requiring all state demand and time deposits be collateralized in an amount equal to and not less than 110% of any deposits not insured. In addition, the Board instituted a requirement to limit total State deposits at any State depository to not exceed 100% of the depository's equity capital. The Board may temporarily increase the total state deposit limit at any state depository to 125% of equity capital to allow for fluctuation in demand deposit balances.

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the State's deposits may not be recovered. At June 30, 2011, bank balances of the primary government and its component unit's deposits totaled $4.6 billion. Of these deposits, $448.1 million were exposed to custodial credit risk as follows (in thousands).

	Primary Government	Component Units	Total
Uninsured and uncollaterized	$ -	$ 23,511	$ 23,511
Uninsured and collateralized with securities held by the pledging financial institutions	77,462	156	77,618
Uninsured and collateralized with securities held by the pledging institutions's trust departments or agents, but not in the State's name	157,067	189,867	346,934
Total deposits exposed to custodial credit risk	**$ 234,529**	**$ 213,534**	**$ 448,063**

The carrying amounts of deposits of certain higher education foundations which utilize FASB standards were $257 million. These deposits are not included in the balances reflected above.

B. Investments

Primary Government
The investment policy of the State of Georgia is to maximize the protection of State funds on deposit while accruing an advantageous yield on those funds in excess of those required for current operating expenses (OCGA 50-17-51).

Authorized pool investments are limited to the following in accordance with State statutes:

1) Obligations of the State of Georgia or of other states
2) Obligations issued by the United States government
3) Obligations fully insured or guaranteed by the United States government or a United States government agency
4) Obligations of any corporation of the United States government
5) Prime banker acceptances
6) Repurchase Agreements
7) Obligations of other political subdivisions of the State
8) Commercial paper issued by domestic corporations

Authorized investments are subject to certain restrictions.

Pooled cash and cash equivalents and investments are grouped into portfolios for investment purposes according to the operating needs of the State of Georgia and other pool contributors.

Pension and Other Employee Benefit Trust Funds
In accordance with OCGA, Public Retirement Systems may invest in the following:

1) United States or Canadian corporations or their obligations with limits as to the corporations' size and credit rating.
2) Repurchase and reverse repurchase agreements for direct obligations of the United States government and for obligations unconditionally guaranteed by agencies.
3) FDIC insured cash assets or deposits.
4) Bonds, notes, warrants, loans or other debt issued or guaranteed by the United States government.
5) Taxable bonds, notes, warrants or other securities issued and guaranteed by any state, the District of Columbia, Canada or any province in Canada.
6) Bonds, debentures or other securities issued or insured or guaranteed by an agency, authority, unit, or corporate body created by the government of the United States of America.
7) Investment grade collateralized mortgage obligations.
8) Obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development or the International Financial Corporation.
9) Bonds, debentures, notes and other evidence of indebtedness issued, assumed, or guaranteed by any solvent institution existing under the laws of the United States of America or of Canada, or any state or province thereof, which are not in default and are secured to a certain level.
10) Secured and unsecured obligations issued by any solvent institution existing under the laws of the United States of America or of Canada, or any state or province thereof, bearing interest at a fixed rate, with mandatory principal and interest due at a specified time with additional limits.
11) Equipment trust obligations or interests in transportation equipment, wholly or in part within the United States of America, and the right to receive determinated portions or related income.
12) Loans that are secured by pledge or securities eligible for investment.
13) Purchase money mortgages or like securities received upon the sale or exchange of real property acquired.
14) Secured mortgages or mortgage participation, pass-through, conventional pass-through, trust certificate, or other similar securities with restrictions.
15) Land and buildings on such land used or acquired for use as a fund's office for the convenient transaction of its own business with restrictions.
16) Real property and equipment acquired under various circumstances.

In addition, large retirement systems have restrictions as to the concentration of investments in corporations and equities and additional stipulations exist related to decreases in a fund's asset value. The retirement systems have additional restrictions on the acquisition of securities of companies with activities in the Iran petroleum energy sector. A list of scrutinized companies with activities in the Iran petroleum energy sector has been compiled and is annually updated. This list is utilized to identify and potentially divest the retirement systems of such holdings.

In accordance with OCGA 47-7-127, the Georgia Firefighters' Pension Fund is authorized to invest in alternative investments such as Venture Capital Investments, Warrants, Options, Convertible Securities, Receivables, Debt and Equity Derivative Instruments, etc. The amount invested in alternative investments may not in the aggregate exceed five percent of the Firefighters' Pension Fund assets at any time.

Component Units

Component units follow applicable investing criteria described above for the primary government. Certain higher education foundations utilize FASB standards. Balances for those component units as of June 30, 2011, are available as follows (in thousands):

	Fair Value
Alternative Strategies	$ 149
Cash Held by Investment Organization	76,089
Certificates of Deposit	750
Corporate Bonds	165,342
Diversifying Strategies	564,255
Equity Securities	162,403
Government and Agency Securities	9,956
Fixed Income	772,191
Investment Pools	4,859
Hedge Funds	282,740
Joint Ventures/Partnerships	18,082
Money Market Accounts	45,762
Mortgage Backed Securities	1,010
Mutual Funds	89,710
Natural Resources	74,711
Real Estate	83,925
Venture Capital	614
Total Investments	**$ 2,352,548**

The component unit disclosures that follow do not include these balances.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

Primary Government

The State manages interest rate risk by attempting to match investments with expected cash requirements.

Certificates of deposit may not have a term exceeding five years. The State Treasurer may establish duration or maturity limitations for other investments. The table on the following page provides information about the primary government's exposure to interest rate risk (in thousands).

(Table on the next page.)

	Total Fair Value	Maturity Period: Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Asset-Backed Securities	$ 12,623	$ 2,400	$ 2,496	$ 7,135	$ 592	$ -
Banker's Acceptances	198,422	178,999	19,423	-	-	-
Corporate Debt						
Domestic	43,133	526	957	29,927	5,886	5,837
International Government Obligations	2,000	-	2,000	-	-	-
Money Market Mutual Funds	704	704	-	-	-	-
Mortgage-Backed Securities						
Commercial	9,054	-	-	2,944	-	6,110
Municipal Bonds	1,091	-	5	137	602	347
Mutual Funds - Debt*	71,632	-	5	9,305	1,402	60,920
Repurchase Agreements	4,085,877	4,050,000	35,877	-	-	-
U. S. Agency Obligations	4,470,014	728,196	2,195,661	1,239,027	51,091	256,039
U. S. Treasury Obligations	127,452	19,598	14,164	82,587	9,937	1,166
Total Debt Securities	**9,022,002**	**$ 4,980,423**	**$ 2,270,588**	**$1,371,062**	**$ 69,510**	**$330,419**
Equity Securities - Domestic	69,802					
Equity Securities - International	2,384					
Funds on Deposit with U. S. Treasury for Unemployment Compensation	303,693					
Mutual Funds - Equity	62,010					
Real Estate	5,734					
Real Estate Investment Trust	5,455					
Total Investments	**$9,471,080**					

*Maturity Period is weighted average maturity.

Pension and Other Employee Benefit Trust Funds Administered by the Employees' and Teachers Retirement Systems

The Boards of the Employees' and Teachers Retirement systems have elected to manage interest rate risk of these pension and other employee benefit trust funds using the effective duration method. This method is widely used in the management of fixed income portfolios and quantifies to a much greater degree the sensitivity to interest rate changes when analyzing a bond portfolio with call options, prepayment provisions, and any other cash flows. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows and is best utilized to gauge the effect of a change in interest rates on the fair value of a portfolio. It is believed that the reporting of effective duration found in the table to the right quantifies to the fullest extent possible the interest rate risk of the funds' fixed income assets (in thousands).

	Total Fair Value	Effective Duration (Years)
Corporate and Other Bonds	$ 5,690,760	5.1
International Obligations:		
Government	1,015,867	4.0
Corporate	410,416	2.0
Repurchase Agreements	1,942,382	0.0
U. S. Agency Obligations	22,272	1.6
U. S. Treasury Obligations	11,149,206	5.2
Total Debt Securities	20,230,903	
Common Stock	47,627,960	
Mutual Funds - Equity	991,710	
Total Investments	**$ 68,850,573**	

Pension and Other Employee Benefit Trust Funds Administered by Other than the Employees' and Teachers Retirement Systems

The Public Retirement System Investment Authority Law does not address specific policies for managing interest rate risk. The following table provides information about interest rate risks associated with these pension and other employee benefit trust funds' investments (in thousands).

		Maturity Period				
	Total Fair Value	Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Asset-Backed Securities						
Domestic	$ 28,148	$ -	$ -	$ 6,494	$ 2,062	$ 19,592
International	501	-	-	-	501	-
Corporate Debt						
Domestic	147,424	886	5,812	53,086	56,868	30,772
International	10,135	-	21	2,980	5,202	1,932
Mortgage-Backed Securities						
Commercial	62,674	-	-	-	4,180	58,494
Municipal Bonds	3,017	-	25	885	1,204	903
Mutual Funds - Debt*	27,569	-	-	27,569	-	-
Repurchase Agreements	-	-	-	-	-	-
U. S. Agency Obligations	123,668	-	1,654	12,478	10,324	99,212
U. S. Treasury Obligations	32,747	-	-	14,533	5,259	12,955
Total Debt Securities	**$ 435,883**	**$ 886**	**$ 7,512**	**$118,025**	**$ 85,600**	**$223,860**
Equity Securities						
Domestic	371,034					
International	29,518					
Mutual Funds - Equity	503,340					
Real Estate Investment Trust	25,859					
Total Investments	**$ 1,365,634**					

*Maturity period is weighted average maturity.

Component Units

The component units follow the applicable investing criteria described above for the primary government. The component units' exposure to interest rate risk is presented below (in thousands):

		Maturity Period				
	Total Fair Value	Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Asset-Backed Securities	$ 19,602	$ -	$ -	$ 5,834	$ 1,771	$ 11,997
Corporate Debt						
Domestic	73,482	227	7,199	53,696	11,160	1,200
International	7,028	-	-	4,449	2,114	465
Investment Agreements	36,642	-	-	-	2,808	33,834
Money Market Mutual Funds	11,478	1,959	9,519	-	-	-
Mortgage-Backed Securities						
Commercial	120,588	349	-	5,276	1,606	113,357
Municipal Bonds	11,422	-	-	5,294	1,643	4,485
Mutual Fund - Debt*	862	-	-	862	-	-
U. S. Agency Obligations	111,539	10,548	5,782	53,153	24,368	17,688
U. S. Treasury Obligations	331,605	26,735	35,531	144,950	64,421	59,968
Total Debt Securities	**724,248**	**$ 39,818**	**$ 58,031**	**$ 273,514**	**$ 109,891**	**$ 242,994**
Equity Securities						
Domestic	33,315					
International	13,922					
Real Estate Investment Trust	365					
Mutual Funds - Equity	35,066					
Total Investments	**$ 806,916**					

* Maturity Period is weighted average maturity.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment.

Primary Government

The State's investment policies include the following investing restrictions to manage credit risk:

1) Repurchase agreements and reverse repurchase agreements may be transacted only with authorized dealers and banks of a certain size with other restrictions requiring approval of the State Treasurer.
2) Commercial paper issued by domestic corporations may carry ratings no lower than P-1 by Moody's Investors Service and A-1 by Standard & Poor's Corporation.
3) Prime bankers acceptances must carry the highest rating assigned to such investments by a nationally recognized rating agency.
4) Obligations issued by this State or its agencies or other political subdivisions of this State, if meeting statutory requirements, may be approved for investment by the State Treasurer.
5) Obligations of domestic corporations must be rated investment grade or higher by a nationally recognized rating agency.
6) Direct obligations of the government of any foreign country and obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development or the International Financial Corporation must be rated A or higher by a nationally recognized rating agency.
7) Such other limitations as determined by the State Treasurer necessary for the preservation of principal, liquidity, or marketability of any of the State's portfolios.

The exposure of the primary government's debt securities to credit risk is indicated below (in thousands):

	Total Fair Value	AAA	AA	A	BAA	BBB	BB	Not Rated
Asset-Backed Securities	$ 12,623	$ 7,727	$ -	$ 4,896	$ -	$ -	$ -	$ -
Banker's Acceptances	198,422	-	-	198,422	-	-	-	-
Corporate Debt								
Domestic	43,133	4,780	8,127	23,255	3,273	1,068	-	2,630
International Government								
Obligations	2,000	-	-	-	-	-	-	2,000
Money Market Mutual Funds	704	704	-	-	-	-	-	-
Mortgage-Backed Securities								
Commercial	9,054	7,193	363	1,498	-	-	-	-
Municipal Bonds	1,091	1,089	-	-	-	-	-	2
Mutual Funds - Debt	71,632	22	1	14,807	-	2,114	1	54,687
Repurchase Agreements	4,050,000	-	-	4,050,000	-	-	-	-
U. S. Agency Obligations	4,430,838	4,108,971	-	19,998	-	-	-	301,869
Total Credit Risk - Investments	**8,819,497**	**$4,130,486**	**$ 8,491**	**$4,312,876**	**$ 3,273**	**$ 3,182**	**$ 1**	**$ 361,188**
U. S. Treasury Obligations	127,452							
U. S. Agency Obligations								
Explicitly Guaranteed	39,176							
Repurchase Agreements Backed								
by U. S. Treasury Obligations	35,877							
Total Debt Securities	**$9,022,002**							

Pension and Other Employee Benefit Trust Funds

The credit risk of pension and other employee benefit trust funds is managed by restricting investments to those authorized by the Public Retirement System Investment Authority Law described above. The Boards of individual funds may elect to implement more restrictive policies. The pension and other employee benefit trust funds' debt securities exposure to credit risk is indicated below (in thousands):

	Total Fair Value	Asset-Backed Securitits		Corporate Debt		International Government Obligations	Mortgage-Backed Securuties	Municipal Bonds	Mutual Funds - Debt	Repurchase Agreements	U. S. Agency Obligations
		Domestic	Inter-national	Domestic	Inter-national						
AAA	$ 1,200,907	$ 12,519	$ 501	$ 793,001	$ 10	$ 306,024	$ 10,058	$ 361	$ -	$ -	$ 78,433
AA	4,992,833	1,187	-	4,146,992	411,140	408,772	2,470	-	-	-	22,272
A	3,084,011	1,219	-	824,693	2,894	301,071	9,141	2,611	-	1,942,382	-
BAA	12,612	808	-	6,713	1,526	-	3,565	-	-	-	-
BA	24,135	1,661	-	18,453	1,594	-	2,166	-	261	-	-
BBB	62,965	3,097	-	44,767	3,077	-	12,024	-	-	-	-
BB	6,458	831	-	2,405	-	-	2,557	-	-	-	665
B	12,251	3,643	-	90	25	-	7,579	45	869	-	-
CAA	4,870	423	-	-	-	-	4,447	-	-	-	-
CA	3,301	1,114	-	-	-	-	2,187	-	-	-	-
CCC	1,611	973	-	-	-	-	638	-	-	-	-
CC	1,120	-	-	-	-	-	1,120	-	-	-	-
C	811	202	-	-	-	-	609	-	-	-	-
D	810	471	-	-	-	-	339	-	-	-	-
Unrated	61,565	-	-	1,070	285	-	3,774	-	26,439	-	29,997
Total Credit Risk - Investments	**9,470,260**	**$ 28,148**	**$ 501**	**$ 5,838,184**	**$ 420,551**	**$ 1,015,867**	**$ 62,674**	**$ 3,017**	**$ 27,569**	**$ 1,942,382**	**$ 131,367**
U. S. Treasury Obligations	11,181,953										
U. S. Agency Obligations Explicitly Guaranteed	14,573										
Total Debt Securities	**$ 20,666,786**										

Component Units

The component units follow the applicable investing criteria described above for the primary government. The exposure of the component units' debt securities to credit risk is indicated below (in thousands):

	Total Fair Value	Asset-Backed Securities - Domestic	Corporate Debt		Investment Agreements	Money Market Mutual Funds	Mortgage-Backed Securuties - Commercial	Municipal Bonds	Mutual Funds - Debt	U. S. Agency Obligations
			Domestic	Inter-national						
AAA	$ 272,234	$ 14,622	$ 2,905	$ 1,235	$ 25,650	$ 9,519	$ 118,359	$ 144	$ 537	$ 99,263
AA	38,251	2,509	16,584	1,027	10,132	-	1,039	6,704	34	222
A	50,024	1,528	39,624	2,117	860	-	89	4,574	69	1,163
BAA	4,963	-	4,211	-	-	-	752	-	-	-
BA	221	-	-	-	-	-	-	-	221	-
BBB	11,825	709	8,353	2,649	-	-	114	-	-	-
BB	1,861	56	1,805	-	-	-	-	-	-	-
B	130	-	-	-	-	-	130	-	-	-
CAA	60	-	-	-	-	-	60	-	-	-
CCC	178	178	-	-	-	-	-	-	-	-
C	16	-	-	-	-	-	16	-	-	-
Unrated	2,344	-	-	-	-	1,959	29	-	1	355
Total Credit Risk - Investments	**382,107**	**$ 19,602**	**$ 73,482**	**$ 7,028**	**$ 36,642**	**$ 11,478**	**$ 120,588**	**$ 11,422**	**$ 862**	**$ 101,003**
U. S. Treasury Obligations	331,605									
U. S. Agency Obligations Explicitly Guaranteed	10,536									
Total Debt Securities	**$ 724,248**									

Custodial Credit Risk – Investments
Custodial credit risk is the risk that, in the event of a bank failure, the State's investments that are in the possession of a bank may not be recovered.

Primary Government
The State's investment policies include the following restrictions to manage custodial credit risk for investments:

1) Repurchase agreements must be collateralized by obligations of the United States and its subsidiary corporations and instrumentalities or entities sanctioned or authorized by the United States government having a market value of at least 102% of the investment. Collateral must be held by a third party custodian approved by the State Treasurer and marked-to-market daily.
2) All certificates of deposit (CD's) must be secured by collateral permitted by statute. Surety bonds acceptable as security for CD's shall require approval by the State Depository Board with such credit constraints or limitations it determines. Pledged securities shall be marked-to-market at least monthly with depositories required to initially pledge to the Office of the State Treasurer, and thereafter maintain upon notification of any shortfall, collateral having a market value equal to 110% of CD's.

At June 30, 2011, $50.7 million of the primary government's investments were uninsured, unregistered and held by the counterparty or the counterparty's trust department, but not in the State's name.

Pension and Other Employee Benefit Trust Funds
The custodial credit risk of pension and other employee benefit trust funds is managed by restricting investments to those authorized by the Public Retirement System Investment Authority Law described above. At June 30, 2011, $717.5 million of the pension and other employee benefit trust funds' investments were uninsured, unregistered and held by the counterparty or the counterparty's trust department, but not in the State's name.

Component Units
The component units follow the applicable investing criteria described above for the primary government. At June 30, 2011, $72.1 million of the component units' investments were uninsured, unregistered and held by the counterparty or the counterparty's trust department, but not in the State's name.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of the State's investment in a single issuer.

Primary Government
The State does not have a formally adopted policy for managing concentration of credit risk. At June 30, 2011, approximately 89.5% of the primary government's total investments were investments in securities of U. S. agencies not explicitly guaranteed by the U. S. government.

Pension and Other Employee Benefit Trust Funds
The concentration of credit risk policy of pension and other employee benefit trust funds limits investments to no more than 5% of total net assets in any one corporation. At June 30, 2011, no more than 5% of the pension and other employee benefit trust fund's total investments were investments in any single issuer.

Component Units
The component units follow the applicable investing criteria described above for the primary government. At June 30, 2011, 12.5% of the component units' total investments were investments in securities of U. S. Agencies not explicitly guaranteed by the U. S. government.

C. Investment in Direct Financing Lease

On November 1, 2008, the Georgia Higher Education Facilities Authority entered into a lease with the lessee being the USG Real Estate Foundation I, Inc., LLC, for several projects located on campuses across the State of Georgia with the Board of Regents of the University System of Georgia for $99.9 million. On July 23, 2009, the Authority entered into a loan agreement with the USG Real Estate Foundation II, LLC, for several projects located on campuses across the State of Georgia with the Board of Regents of the University System of Georgia for $100.9 million.

On August 12, 2010, the Authority entered into a loan agreement with the USG Real Estate Foundation III, LLC, for several projects located on campuses across the State of Georgia with the Board of Regents of the University System of Georgia for $94.2 million. As of June 30, 2011, the estimated annual payments to be received under this lease are shown below:

	Principal	Interest	Total
2012	$ 3,600	$ 15,131	$ 18,731
2013	3,935	15,017	18,952
2014	4,215	14,876	19,091
2015	4,535	14,708	19,243
2016	4,875	14,508	19,383
2017-2021	30,185	69,147	99,332
2022-2026	42,045	60,822	102,867
2027-2031	54,920	48,830	103,750
2032-2036	72,335	32,032	104,367
2037-2041	72,265	10,314	82,579
Total Investment	**$ 292,910**	**$ 295,385**	**$ 588,295**

D. Investments Lending Program

The State is presently involved in securities lending programs with major brokerage firms. The State lends equity and fixed income securities for varying terms and receives a fee based on the loaned securities' value. During a loan, the State continues to receive dividends and interest as the owner of the loaned securities.

Primary Government

In the primary government's securities lending agreement, securities are transferred to an independent broker in exchange for collateral in the form of cash and/or securities issued by the U. S. Treasury or its agencies. The collateral value must be equal to at least 100% to 102% of the loaned securities value, depending on the type of collateral security.

Securities loaned totaled $363.6 million at June 30, 2011, and the collateral value was equal to 105%. The loaned securities are in the accompanying note disclosures based on the custodial arrangements for the collateral securities. Loaned securities are included in the accompanying Statement of Net Assets because the State maintains ownership. The related collateral securities are not recorded as assets on the Statement of Net Assets, and a corresponding liability is not recorded, since the State does not pledge or trade the collateral securities.

Pension and Other Employee Benefit Trust Funds

In the pension and other employee benefit trust funds securities lending agreements, the brokerage firms pledge collateral securities consisting of U. S. Government and agency securities, mortgage-backed securities issued by a U. S. Government agency, and U. S. corporate bonds. The collateral value must be equal to at least 102% to 110% of the loaned securities value, depending on the type of collateral security.

Securities loaned totaled $ 13.3 billion at June 30, 2011, and the collateral value was equal to 105.7%. The loaned securities are in the accompanying note disclosures based on the custodial arrangements for the collateral securities. Loaned securities are included in the accompanying Statement of Net Assets because the State maintains ownership. The related collateral securities are not recorded as assets on the Statement of Fiduciary Net Assets, and a corresponding liability is not recorded, since the State does not pledge or trade the collateral securities.

E. Other Investments

The State's Unemployment Compensation Fund monies are required by the Social Security Act to be invested in the U. S. Department of Treasury, Bureau of Public Debt Unemployment Trust Fund (BPDUTF), which is not registered with the SEC. The fair value of the position in the BPDUTF is the same as the value of the BPDUTF shares.

The Commissioner of the Department of Agriculture (Department) is directed by statute to require dealers in certain agricultural products and livestock to make and deliver to the Department a surety or cash bond to secure the faithful accounting for and payment to producers of the proceeds of agricultural products or livestock handled or sold by the dealer. Cash bonds are required to designate the Department as trustee of the funds and may take the form of certificates of deposit, letters of credit, money orders or cashiers' checks.

At June 30, 2011, the Department held surety bonds in the amount of $36.2 million, and cash bonds in the amount of $15.2 million. These bonds are not recorded on the Balance Sheet.

Securities are held by the Commissioner of Insurance pursuant to statutes that require licensed insurance companies to deposit securities prior to issuance of a certificate of authority to transact insurance. These securities remain in the name of the licensed insurance company as long as the company has a pending claim in the State of Georgia or until a proper order of a court of competent jurisdiction has been issued to the receiver, conservator, rehabilitator, or liquidator of the insurer or to any other properly designated official or officials who succeed to the management and control of the insurer's assets. The purchase and redemption of such securities are allowed as long as the required levels of deposits are maintained. At June 30, 2011, securities valued at $234.9 million were held by the Department of Insurance. These securities are not recorded on the Balance Sheet.

Statutes require that surety bonds be provided for State public works contracts. The Department of Transportation holds surety bonds in the amount of $13.7 billion for construction performance to ensure proper completion and complete performance of construction contracts, and $14.9 billion for construction payment to ensure that payments are made by the general contractor to all subcontractors. These bonds are not recorded on the Balance Sheet.

The Georgia State Financing and Investment Commission State Construction Manual policies require that surety bonds be provided for payment and performance of all State projects of $100,000 or more. The Department of Corrections holds surety bonds in the amount of $8.4 million for construction performance to ensure proper completion and complete performance of construction contracts. These bonds are not recorded on the Balance Sheet.

For any organization that elects to assume the liability for unemployment compensation payments in lieu of making contributions to the Unemployment Compensation Fund, the Commissioner of the Department of Labor (Department) is authorized by statute to require such organization to execute and file with the Commissioner a cash deposit or surety bond. Cash deposits are held on behalf of such organizations in the Department's name, and are reported as agency funds. At June 30, 2011, the department held surety bonds in the amount of $60.1 million. These bonds are not recorded on the Statement of Net Assets.

F. Investment Pools

Separate reports on the State's external investment pools are not issued. Condensed financial statements, inclusive of external and internal participants for the fiscal year ended June 30, 2011, and related risk disclosures for investments are as follows:

Georgia Fund 1

The Primary Liquidity portfolio is a stable net asset value investment pool that follows Standard and Poor's criteria for AAAm rated money market funds. The pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Georgia Fund 1
Statement of Net Assets
June 30, 2011
(dollars in thousands)

Assets	
Cash and Cash Equivalents	$5,163,817
Investments	2,763,751
Net Assets	**$7,927,568**
Distribution of Net Assets	
External Participant Account Balances	$4,966,436
Internal Participant Account Balances	2,961,132
Total Net Assets	**$7,927,568**

Georgia Fund 1
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

Additions	
Pool Participant Deposits	$29,894,883
Investment Income	
Interest	19,038
Less: Investment Expense	(2,524)
Total Additions	**29,911,397**
Deductions	
Pool Participant Withdrawals	31,047,576
Net Increase	**(1,136,179)**
Net Assets	
July 1, 2010	9,063,747
June 30, 2011	**$ 7,927,568**

Deposits

Because the State does not maintain separate bank accounts for Georgia Fund 1, separate custodial credit risk disclosures for the Fund's deposits cannot be presented. The carrying amount of the Fund's deposits as of June 30, 2011, was $1.7 billion. This amount is included in the deposit disclosures of the Primary Government.

Investments

Georgia Fund 1 follows applicable investing criteria and investment risk management policies described above for the primary government. In addition, fund managers restrict investments of the Fund in order to maintain the Standard and Poor's AAAm rating.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Fund's investments are presented below (in thousands):

		Maturity Period			Range of Yields
	Total Fair Value	Less than 3 Months	4 - 12 Months	1 - 5 Years	
Banker's Acceptances	$ 25,637	$ 25,637	$ -	$ -	.000% - .000%
Repurchase Agreements	3,500,000	3,500,000	-	-	.050% - .100%
U. S. Agency Obligations	2,763,751	685,469	2,058,282	20,000	.000% - 5.500%
Total Investments	**$ 6,289,388**	**$ 4,211,106**	**$ 2,058,282**	**$ 20,000**	

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The exposure of the Fund's debt securities to credit risk is indicated below (in thousands):

	Total Fair Value	Credit Rating AAA	Credit Rating A
Banker's Acceptances	$ 25,637	$ -	$ 25,637
Repurchase Agreements	3,500,000	-	3,500,000
U. S. Agency Obligations	2,763,751	2,763,751	-
	$ 6,289,388	**$ 2,763,751**	**$ 3,525,637**

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the State's investment in a single issuer. At June 30, 2011, more than five percent of the Fund's total investments were investments in securities of U. S. agencies not explicitly guaranteed by the U. S. government. These investments represented 99.6 percent of total investments.

Georgia Extended Asset Pool

The Extended Term Portfolio is a variable net asset value investment pool that follows Standard and Poor's criteria for AAAf money market rated funds. The pool is not registered with the SEC as an investment company.

Georgia Extended Asset Pool
Statement of Net Assets
June 30, 2011
(dollars in thousands)

Assets	
Cash and Cash Equivalents	$ 64,362
Investments	127,129
Net Assets	**$ 191,491**
Distribution of Net Assets	
External Participant Account Balar	$ 136,303
Internal Participant Account Balan	55,188
Total Net Assets	**$ 191,491**

Georgia Extended Asset Pool
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

Additions	
Pool Participant Deposits	$ 70,300
Investment Income	
Interest	3,588
Fair Value Decrease	(1,923)
Less: Investment Expense	(79)
Total Additions	**71,886**
Deductions	
Pool Participant Withdrawals	75,274
Net Increase	**(3,388)**
Net Assets	
July 1, 2010	194,879
June 30, 2011	**$191,491**

Deposits

Because the State does not maintain separate bank accounts for Georgia Extended Asset Pool, separate custodial credit risk disclosures for the Pool's deposits cannot be presented. The carrying amount of the Pool's deposits as of June 30, 2011, was $64.4 million. This amount is included in the deposit disclosures of the Primary Government.

Investments

Georgia Extended Asset Pool follows applicable investing criteria and investment risk management policies described above for the primary government. In addition, the fund managers restrict investments of the Pool in order to maintain the Standard and Poor's AAAf rating.

Interest Rate Risk Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Pool's investments are presented below (in thousands):

		Maturity Period		Range of Yields
	Total Fair Value	Less then 3 Months	1 - 5 Years	
U. S. Agency Obligations	$ 127,129	$ 30,724	$ 96,405	.500% - 5.375%

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The exposure of the Pool's debt securities to credit risk is indicated below (in thousands):

	Total Fair Value	Credit Rating AAA
U. S. Agency Obligations	$ 127,129	$ 127,129

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the State's investment in a single issuer. At June 30, 2011, all of the Pool's investments were investments in securities of U. S. agencies not explicitly guaranteed by the U. S. government.

Regents Investment Pool

The Regents Investment Pool is not registered with the SEC as an investment company.

Regents Investment Pool
Statement of Net Assets
June 30, 2011
(dollars in thousands)

Assets		
Investments	$	331,264
Interest Receivable		709
Net Assets	**$**	**331,973**
Distribution of Net Assets		
External Participant Account Balances	$	16,864
Internal Participant Account Balances		315,109
Total Net Assets	**$**	**331,973**

Regents Investment Pool
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

Additions		
Pool Participant Deposits	$	101,215
Investment Income		8,347
Interest		
Fair Value Increase		10,938
Less: Investment Expense		(517)
Total Additions		**119,983**
Deductions		
Pool Participant Withdrawals		(37,125)
Net Increase		82,858
Net Assets		
July 1, 2010		249,115
June 30, 2011	**$**	**331,973**

Deposits

Because the State does not maintain separate bank accounts for Regents Investment Pool, separate custodial credit risk disclosures for the Pool's deposits cannot be presented. The carrying amount of the Pool's deposits as of June 30, 2011, was $709 thousand. This amount is included in the deposit disclosures of the Primary Government.

Investments

The Regents Investment Pool policy guidelines ndicate that all investments must be consistent with donor intent, Board of Regents policy and applicable federal and state law. The individual funds of the Pool provide various restrictions on the types of investments allowed.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Pool's funds policy guidelines restrict average maturities of their holdings. The Pool's investments are presented in the following table (in thousands):

		Maturity Period			
	Total Fair Value	**Less than 1 Year**	**1 - 5 Years**	**6 - 10 Years**	**More Than 10 Years**
Money Market Mutual Funds	$ 2,764	$ 2,764	$ -	$ -	$ -
Mutual Fund - Debt	31,525	31,525	-	-	-
Repurchase Agreements	28,768	28,768	-	-	-
U. S. Agency Obligations	207,529	8,091	19,871	44,573	134,994
U. S. Treasury Obligations	1,754	-	-	1,754	-
Total Debt Securities	**272,340**	**$ 71,148**	**$ 19,871**	**$ 46,327**	**$ 134,994**
Equity Securities					
Domestic	56,056				
Mutual Funds - Equity	500				
Real Estate Investment Fund	2,368				
Total Investments	**$ 331,264**				

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Pool's funds policy guidelines require that holdings, except for those of the Diversified Fund must be eligible investments under OCGA 50-17-63. Portfolios of debt security funds also must meet the eligible investment criteria under the same code section. The Diversified Fund is permitted to invest in noninvestment grade debt issues up to a limit of 15% of the entire fund. At June 30, 2011, the Pool's applicable U. S. Agency Obligations and Mutual Bond Fund were unrated.

Custodial Credit Risk – Investments

As indicated above, custodial credit risk is the risk that, in the event of a bank failure, the State's investments may not be recovered. The Regents Investment Pool's policy for managing custodial credit risk is to 1) appoint a federally regulated banking institution as custodian, 2) require that all securities transactions be settled on a delivery vs. payment basis through an approved depository institution such as the Depository Trust Company or the Federal Reserve, and 3) require that repurchase agreements be collateralized by U. S. Treasury securities at 102% of the market value of the investment at all times. At June 30, 2011, $328.9 million of the Regents Investment Pool's holdings were uninsured and held by the custodian bank or a depository institution in the State's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the State's investment in a single issuer. The Regents Investment Pool's policy for managing concentration of credit risk is to diversify to the extent that any single issuer (other than U. S. government obligations) shall be limited to 5 percent of the market value in a particular Pool Fund. At June 30, 2011 more than 5 percent of the Pool's total investments were investments in securities of U. S. agencies not explicitly guaranteed by the U. S. government. These investments represented 55.5 percent of total investments.

Notes continued on the next page.

NOTE 6 – RECEIVABLES

Receivables at June 30, 2011, consisted of the following (in thousands):

	Taxes	Notes and Loans	Other	Inter-governmental Receivables	Gross Receivables	Allowance for Uncollectibles	Total Receivables (Net)
Governmental Activities:							
General Fund	$ 1,570,212	$ 1,321	$ 336,877	$ 1,084,605	$ 2,993,015	$ (145,112)	$ 2,847,903
General Obligation Bond Projects	-	-	79,236	-	79,236	-	79,236
Nonmajor Governmental Funds	-	-	4,375	-	4,375	-	4,375
Total - Governmental Funds	1,570,212	1,321	420,488	1,084,605	3,076,626	(145,112)	2,931,514
Government-wide adjustments:							
General Fund	-	-	2,724	-	2,724	-	2,724
Internal Service Funds	-	-	45,107	822	45,929	(841)	45,088
Total - Governmental Activities	$ 1,570,212	$ 1,321	$ 468,319	$ 1,085,427	$ 3,125,279	$ (145,953)	$ 2,979,326
Business-Type Activities:							
Higher Education Fund	$ -	$ 45,569	$ 270,121	$ 135,094	$ 450,784	$ (19,082)	$ 431,702
State Employees' Health Benefit Plan	-	-	44,680	-	44,680	(3,926)	40,754
Unemployment Compensation Fund	-	-	193,056	3,613	196,669	(16,563)	180,106
State Road and Tollway Authority	-	-	42	-	42	(8)	34
Georgia Higher Education Facilities Authority	-	292,910	630	-	293,540	-	293,540
Total - Business-type Activities	$ -	$ 338,479	$ 508,529	$ 138,707	$ 985,715	$ (39,579)	$ 946,136
Component Units:							
Georgia Environmental Finance Authority	$ -	$ 1,485,270	$ 32,723	$ 21,039	$ 1,539,032	$ -	$ 1,539,032
Georgia Housing and Finance Authority	-	1,312,330	9,763	-	1,322,093	(5,674)	1,316,419
Georgia Lottery Corporation	-	-	182,815	-	182,815	(2,980)	179,835
Georgia Tech Foundation, Incorporated	-	1,021	234,357	-	235,378	-	235,378
Nonmajor Component Units	464	299,703	2,153,633	14,787	2,468,587	(37,003)	2,431,584
Total - Component Units	$ 464	$ 3,098,324	$ 2,613,291	$ 35,826	$ 5,747,905	$ (45,657)	$ 5,702,248

Notes continued on the next page.

NOTE 7 – CAPITAL ASSETS

Primary Government

Capital Asset activity for the fiscal year-ended June 30, 2011, was as follows (in thousands):

	Balance July 1, 2010 (Restated - Note 3)	Increases	Decreases	Balance June 30, 2011
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 2,927,663	$ 160,715	$ (3,852)	$ 3,084,526
Works of Art and Collections	1,334	-	-	1,334
Intangibles - Other than Software	71,610	20,019	(75)	91,554
Construction in Progress	5,378,749	2,099,887	(3,150,624)	4,328,012
Total Capital Assets, Not Being Depreciated	8,379,356	2,280,621	(3,154,551)	7,505,426
Capital Assets Being Deprecated:				
Infrastructure	21,195,410	2,103,042	-	23,298,452
Buildings	3,437,911	161,909	(75,309)	3,524,511
Improvements Other Than Buildings	74,441	9,124	(1,072)	82,493
Machinery and Equipment	894,278	53,737	(47,618)	900,397
Software	217,839	16,108	(13,632)	220,315
Total Capital Assets Being Depreciated	25,819,879	2,343,920	(137,631)	28,026,168
Less Accumulated Depreciation For:				
Infrastructure	11,240,641	839,950	(3,131)	12,077,460
Buildings	1,431,113	116,150	(31,908)	1,515,355
Improvements Other Than Buildings	41,811	1,786	(1,219)	42,378
Machinery and Equipment	678,388	46,518	(28,510)	696,396
Software	138,179	12,603	(9,186)	141,596
Total Accumulated Depreciation	13,530,132	1,017,007	(73,954)	14,473,185
Total Capital Assets, being Depreciable, Net	12,289,747	1,326,913	(63,677)	13,552,983
Governmental Activities Capital Assets, Net	$ 20,669,103	$ 3,607,534	$ (3,218,228)	$ 21,058,409

	Balance July 1, 2010 (Restated - Note 3)	Increases	Decreases	Balance June 30, 2011
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 295,969	$ 66,943	$ (37)	$ 362,875
Works of Art and Collections	40,111	499	2	40,612
Construction in Progress	229,355	190,082	(176,211)	243,226
Total Capital Assets, Not Being Depreciated	565,435	257,524	(176,246)	646,713
Capital Assets Being Deprecated:				
Infrastructure	249,499	9,397	(202)	258,694
Buildings	7,092,030	665,965	(10,845)	7,747,150
Improvements Other Than Buildings	335,505	41,252	(9,539)	367,218
Machinery and Equipment	3,021,931	614,690	(53,498)	3,583,123
Software	16,654	34	-	16,688
Library Collections	747,023	37,392	(10,224)	774,191
Works of Art and Collections	7,202	99	(18)	7,283
Total Capital Assets Being Depreciated	11,469,844	1,368,829	(84,326)	12,754,347
Less Accumulated Depreciation For:				
Infrastructure	74,670	8,065	(352)	82,383
Buildings	1,990,719	179,169	(5,547)	2,164,341
Improvements Other Than Buildings	139,292	10,898	(1,371)	148,819
Machinery and Equipment	1,149,811	186,310	(51,745)	1,284,376
Software	7,822	1,335	-	9,157
Library Collections	570,384	34,886	(10,118)	595,152
Works of Art and Collections	595	137	(4)	728
Total Accumulated Depreciation	3,933,293	420,800	(69,137)	4,284,956
Total Capital Assets, being Depreciable, Net	7,536,551	948,029	(15,189)	8,469,391
Business-Type Activities, Capital Assets, Net	$ 8,101,986	$ 1,205,553	$ (191,435)	$ 9,116,104

Governmental Activities		
General Government	$	14,771
Education		1,154
Health and Welfare		37,087
Transportation		849,964
Public Safety		55,083
Economic Development		24,284
Culture and Recreation		8,473
Conservation		4,947
Internal Service Funds		
(Depreciation on capital assets held by the state's internal service funds are charged to the various functions based on their usage of assets		21,244
Depreciation Expense - Governmental Activities	**$**	**1,017,007**

Business Type Activities		
Higher Education Fund	$	420,061
State Road and Tollway Authority		739
Depreciation Expense - Business-Type Activities	**$**	**420,800**

	Balance July 1, 2010 (Restated *)	Increases	Decreases	Balance June 30, 2011
Component Units :				
Capital Assets Not Being Depreciated:				
Land	$ 315,777	$ 9,780	$ (3,263)	$ 322,294
Works of Art and Collections	1,012	-	(309)	703
Intangibles - Other than Software	-	753	-	753
Construction in Progress	159,177	134,882	(166,675)	127,384
Total Capital Assets, Not Being Depreciated	475,966	145,415	(170,247)	451,134
Capital Assets Being Deprecated:				
Infrastructure	250,683	12,464	(1,274)	261,873
Buildings	979,956	65,424	(14,170)	1,031,210
Improvements Other Than Buildings	426,431	42,504	(14,547)	454,388
Intangibles - Other than Software	475	-	(475)	-
Machinery and Equipment	774,528	80,248	(8,147)	846,629
Software	4,436	1,479	-	5,915
Works of Art and Collections	71	-	-	71
Total Capital Assets Being Depreciated	2,436,580	202,119	(38,613)	2,600,086
Less Accumulated Depreciation For:				
Infrastructure	85,532	6,960	(889)	91,603
Buildings	417,073	28,000	(16,754)	428,319
Improvements Other Than Buildings	174,605	17,642	3,067	195,314
Machinery and Equipment	410,320	53,757	(7,198)	456,879
Software	1,012	1,292	-	2,304
Works of Art and Collections	7	2	-	9
Total Accumulated Depreciation	1,088,549	107,653	(21,774)	1,174,428
Component Units Capital Assets, Net (GASB Presentation)	$ 1,823,997	$ 239,881	$ (187,086)	$ 1,876,792

* Beginning capital assets have been reduced by $99.1 million to reflect the change in presentation of one of the higher education foundations from GASB to FASB standards.

Certain higher education foundations and other similar organizations utilize FASB standards; therefore, only the June 30, 2011, balances are available as follows:

Capital Assets Not Being Depreciated:		
Land	$	34,713
Construction in Progress		80,583
Total Capital Assets, Not Being Depreciated		115,296
Capital Assets Being Depreciated:		
Buildings		279,890
Machinery and Equipment		29,781
Software		30
Total Capital Assets Being Depreciated		309,701
Less: Accumulated Depreciation		(66,992)
Capital Assets, Net (FASB presentation)		358,005
Total Capital Assets, Net - All Component Units	**$**	**2,234,797**

Notes continued on the next page.

NOTE 8 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

Primary Government

Changes in long-term liabilities for the fiscal year-ended June 30, 2011, are as follows (in thousands):

	Balance July 1, 2010 (Restated - Note 3)	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
Governmental Activities:					
General Obligation Bonds Payable	$ 8,630,635	$ 653,925	$ 733,415	$ 8,551,145	$ 739,460
Revenue Bonds Payable	489,085	344,420	400,885	432,620	29,170
GARVEE Bonds Payable	1,416,850	-	117,500	1,299,350	122,560
Less deferred amounts:					
On Refunding	(181,791)	(15,813)	(15,372)	(182,232)	-
Net Unamortized Premiums	492,438	87,991	58,157	522,272	-
Total Bonds Payable	10,847,217	1,070,523	1,294,585	10,623,155	891,190
Notes and Loans Payable	27,614	-	8,014	19,600	5,000
Capital Lease Obligations	242,430	49,292	68,293	223,429	26,234
Compensated Absences Payable	331,343	128,643	137,565	322,421	132,632
Arbitrage	13,357	6,026	6,694	12,689	1,215
Total Governmental Activities	**$ 11,461,961**	**$ 1,254,484**	**$ 1,515,151**	**$ 11,201,294**	**$ 1,056,271**
Business-Type Activities:					
Revenue Bonds Payable	$ 217,660	$ 134,210	$ 21,835	$ 330,035	$ 9,420
Less deferred amounts:					
On Refunding	(268)	-	(268)	-	-
Net Unamortized Premiums (Discounts)	(3,578)	2,129	(11)	(1,438)	-
Total Bonds Payable	213,814	136,339	21,556	328,597	9,420
Notes and Loans Payable	424,424	312,000	2,234	734,190	194
Capital Lease Obligations	2,666,286	575,346	71,111	3,170,521	59,136
Compensated Absences Payable	210,336	148,494	142,596	216,234	126,524
Other Postemployment Benefit Obligation	699,938	317,461	-	1,017,399	-
U. S. DOE Settlement	301	-	239	62	62
Total Business-Type Activities	**$ 4,215,099**	**$ 1,489,640**	**$ 237,736**	**$ 5,467,003**	**$ 195,336**

Internal Service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above total for governmental activities. Accordingly, $7.4 million of internal service funds compensated absences are included in the above balance as of June 30, 2011. Of this amount, $3.5 million is due within one year. Also, for the governmental activities, capital leases and compensated absences are generally liquidated by the general fund.

Component Units

Changes in long-term liabilities for the fiscal year-ended June 30, 2011, are as follows (in thousands):

	Balance July 1, 2010 (Restated - Note 3)	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
Revenue Bonds Payable	$ 2,617,541	$ 490,050	$ 144,742	$ 2,962,849	$ 80,702
Mortgage Bonds Payable	937,915	194,235	188,945	943,205	34,400
Deferred Amount on Refunding	(388)	-	(388)	-	-
Net Unamortized Premiums	10,536	148	487	10,197	-
Total Bonds Payable	3,565,604	684,433	333,786	3,916,251	115,102
Notes and Loans Payable	411,895	128,065	97,148	442,812	36,324
Net Unamortized Premiums	(4,196)	-	(2,260)	(1,936)	-
Capital Lease Obligations	17,690	588	10,672	7,606	1,545
Compensated Absences Payable	23,395	10,301	7,673	26,023	19,229
Grand Prizes Payable	283,080	23,515	35,229	271,366	11,902
Other Liabilities	194,504	52,896	31,027	216,373	4,399
Total Component Units	**$ 4,491,972**	**$ 899,798**	**$ 513,275**	**$ 4,878,495**	**$ 188,501**

B. Bonds and Notes Payable

At June 30, 2011, bonds and notes payable currently outstanding are as follows: (in thousands):

	Interest Rates	Maturing Through Year	Original Issue Amount	Outstanding Amount
Governmental Activities				
General Obligation Bonds				
General Government	1.00% - 6.8%	2031	$ 16,101,200	$ 6,686,970
General Government - Refunding	2.00% -5.5%	2031	-	1,864,175
Revenue Bonds				
Transportation Projects	2.250% - 5.37%	2024	631,905	432,620
GARVEE Bonds	2.50%-5.00%	2021	1,650,000	1,299,350
Notes and Loans Payable	0%	2014	32,614	19,600
Business-Type Activities				
Revenue Bonds				
Georgia 400 Project and Higher Education Facilities	2.55% - 6.25%	2041	$ 334,915	$ 330,035
Notes and Loans Payable	4.31%	2015	735,000	734,190
Component Units				
Revenue Bonds				
University System of Georgia Foundations	.08% - 6.66%	2042	$ 2,718,175	$ 2,566,169
Other Revenue Bonds	.12% - 6.00%	2036	572,115	396,680
Mortgage Bonds				
Georgia Housing and Financing Authority	.0015% - 6.15%	2043	1,627,440	943,205
Notes and Loans Payable				
University System of Georgia Foundations	.52% - 6.19%	2041	452,280	377,010
Other Notes and Loans Payable	.59% - 6.6%	2025	147,525	65,802

C. General Obligation Bonds

Primary Government

The State issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds have been issued for both general State and proprietary activities, to provide loans to local governments for water and sewer systems, to construct educational facilities for local school systems, and to refund general obligation bonds.

General obligation bonds are direct obligations of the State to which the full faith and credit of the State are pledged.

Bonds Authorized but Unissued

Authorized but unissued general obligation bonds as of June 30, 2011 are as follows (in thousands):

Purpose	Authorized Unissued Debt
Education	$ 201,420
Transportation	250,805
Ports Authority	98,350
Board of Regents	60,800
Technical College System of Georgia	42,165
Other	53,750
Total	**$ 707,290**

Defeasance and Refunding of General Obligation Bonds

On October 27, 2010 the State utilized the premium from the series 2010B and series 2010C-1 bonds to pre-pay $34.8 million of outstanding general obligation bonds due on November 1, 2010; this provided budgetary relief to the fiscal year 2011 budget cycle.

This refunding provided an equal amount of debt service savings to fiscal year 2011. As of June 30, 2011, the State had total outstanding refunded bonds held in escrow of $1.3 billion and total outstanding defeased general obligation bonds held in escrow of $2.1 million.

Early Retirement of Debt

There was no early retirement of debt during Fiscal 2011.

D. Revenue Bonds

Governmental Activities

The State Road and Tollway Authority has issued Guaranteed Revenue Bonds for the purpose of financing certain road and bridge projects in the State. The guaranteed revenue bonds are secured by the amount of net proceeds of the motor fuel tax provided for in a joint resolution of the State Transportation Board and the State Road and Tollway Authority. Further, the State of Georgia has guaranteed the full payment of the bonds and the interest.

The State Road and Tollway Authority has issued Federal Highway Grant Anticipation Revenue Bonds and Federal Highway Reimbursement Bonds (GARVEEs). These bond proceeds will be used for the purpose of providing funds for an approved land public transportation project.

Business-Type Activities

The State Road and Tollway Authority has issued Toll Revenue Bonds for the purpose of financing a portion of the costs of acquiring, constructing and maintaining the Georgia 400 project. The toll revenues to be generated from the usage of the Georgia 400 Project secure these bonds. As of June 30, 2011, the outstanding principal balance for these Toll Revenue Bonds was $37.1 million.

The Georgia Higher Education Facilities Authority (Authority) has issued revenue bonds for the purpose of acquiring, constructing and equipping several projects on college campuses throughout the State. The bonds are secured solely by the related Security Deed and related Assignment of Contract Documents. The bond proceeds were loaned to the University System of Georgia Foundation, Inc. (Foundation) (component unit) and are expected to be repaid with repayments of the proceeds from the Foundation. The Foundation's obligation to the Authority is included in notes and loans payable in

the Foundation's financial statements. See the Notes and Loans Payable section of this note. As of June 30, 2011, the outstanding principal for these revenue bonds is $292.9 million.

Component Units

Revenue bonds issued by various University System of Georgia Foundations, for the acquisition and improvement of properties and facilities, had an outstanding balance at June 30, 2011 of $2.6 billion.

Other component units had Revenue Bonds Payable outstanding at June 30, 2011 of $396.7 million as detailed below (in thousands):

	Amount
Georgia Environmental Finance Authority	$ 226.1
Georgia World Congress Center	121.9
Georgia Ports Authority	35.6
Lake Lanier Islands Developmental Authority	9.1
Regional Educational Service Agencies	4.0
Total	**$ 396.7**

E. Mortgage Bonds

Component Units

Mortgage bonds outstanding of $943.2 million at June 30, 2011 were issued by the Georgia Housing and Finance Authority for financing the purchase of single-family mortgage loans for eligible persons and families of low and moderate income within the State of Georgia.

F. Notes and Loans Payable

Governmental Activities

Notes and Loans Payable for Governmental Activities as of June 30, 2011 was $19.6 million, attributable to the Georgia Department of Transportation's participation in the Federal Right of Way Revolving Fund program, for the purpose of aiding states with the problem of escalating property costs on future highway alignments. This fund was established to advance money to states without interest to acquire property needed for future projects along corridors with escalating property costs due to imminent development. The first payment for the revolving fund loan was paid January, 2009 and the last payment is due August 6, 2013.

Business-Type Activities

Notes and Loans Payable for Business-Type Activities as of June 30, 2011 was $734.2 million. During fiscal year 2011, the State borrowed an additional $312.0 million from the U.S. Treasury to pay state unemployment benefits. Combined with the $416.0 million the State borrowed in fiscal year 2010, the total principal balance owed to the U.S. Treasury at June 30, 2011 is $728.0 million. Georgia is one of thirty-six states that borrowed from the U.S. Treasury to pay state unemployment benefits. Georgia will be required to repay this loan to the Treasury at a future date. A repayment plan has not yet been implemented. There were no repayments made during fiscal year 2011. In addition, the Georgia Military College had a note payable of $6.2 million.

Component Units

Notes and Loans Payable for Component Units as of June 30, 2011 were as follows (in thousands):

	Amount
Higher Education Foundations	$ 351.9
Georgia Ports Authority	40.9
Georgia Tech Foundation, Inc.	25.1
Lake Lanier Islands Development Authority	13.5
Georgia Development Authority	4.9
North Georgia Mountains Authority	4.9
Jekyll Island State Park Authority	1.6
Total Notes and Loans Payable	**$ 442.8**

Higher Education Foundations Notes and Loans

The University System of Georgia Foundation, Inc. has entered into loan agreements to finance construction of facilities at colleges and universities in the University System of Georgia on real estate owned by the Board of Regents. The total principal outstanding at June 30, 2011 was $292.9 million. See the Revenue Bonds – Business-Type Activities section of this note.

The Medical College of Georgia Physician's Practice Group Foundation's Cancer Research Center, LLC (CRC) has a loan agreement with the Development Authority of Richmond County (the Authority), whereby the Authority issued bonds and lent the proceeds thereof to CRC for the purpose of providing funds to finance the cost of the construction of a portion of a cancer research building on the campus of the Medical College of Georgia. As of June 30, 2011, $29.4 million was outstanding on the loan payable. The loan agreement provides for semi-annual interest payments at interest rates ranging from 3.0 to 5.0 percent. Principal payments are due annually through December 2034.

Notes and loans payable included a revolving credit agreement for the University of Georgia's Research Foundation which provides for borrowings or letters of credit at the Research Foundation's option. At June 30, 2011, amounts outstanding or issued under this agreement included borrowings of $10.3 million, with no letters of credit or bank reserves, resulting in $39.7 million available as borrowing capacity under this line. Borrowings under the revolving credit agreement bear interest at the bank's 30-day LIBOR plus 0.8 percent. At June 30, 2011, the rate applicable to the borrowings was .991 percent.

During the year ended June 30, 2011, the Kennesaw State University Foundation entered into a term note with a bank to refinance a portion of the line of credit for previous land purchases that matured in August, 2010. The note accrues interest at the 30-day LIBOR plus 2.5 percent with interest payments monthly. The note matures December 2011, with the entire principal balance and remaining interest balance due at that time. The note is collateralized by buildings and land. The balance on the note was $5.2 million at June 30, 2011. During the year ended June 30, 2010, the Foundation secured lines of credit of $22 million and $26.9 million to provide financing for land purchases, a hospitality facility and sports complex. The lines of credit bear interest at 30 day LIBOR plus 2 percent and 1.26 percent, respectively and matured in October 2010. Additionally, during 2011, the Foundation renewed an unsecured operating line of credit of $5.3 million. The line of credit bears interest at the 30-day LIBOR plus 1.75 percent. The line of credit balance as of June 30, 2011 was $1.6 million.

During the year 2007, the University of Georgia Foundation signed a $6.2 million promissory loan agreement which expires on November 1, 2017. Interest is charged at the bank's 30-day LIBOR plus .325%. The balance on this note at June 30, 2011 was $5.9 million. Additionally, during 2002, the Foundation signed a $.9 million promissory loan agreement which was increased during 2002 to $1.1 million. This agreement expires on May 1, 2012. Interest is charged at the bank's 30-day LIBOR rate plus .45%. The balance on this note at June 30, 2011 was $.8 million.

In addition to the notes and loans discussed in the previous paragraphs, as of June 30, 2011 an additional $5.8 million in notes were held by various higher education foundations.

Other Component Units Notes and Loans

The Georgia Ports Authority maintains an uncollateralized revolving line of credit in the amount of $48 million. As of June 30, 2011, $40.9 million was outstanding on this line of credit. The interest rate (.59 percent at June 30, 2011) is based on the one month LIBOR rate. This revolving line of credit expires on September 5, 2017.

The Georgia Tech Foundation, Inc. has five $10 million revolving lines of credit. As of June 30, 2011, $25.1 million was outstanding on these lines of credit. Interest is calculated using the 30-day LIBOR rate plus 0.60 percent.

G. Interest Rate Swaps

As a means of interest rate management, various Higher Education Foundations have entered into interest rate swap agreements. For further details on these agreements, please refer to Note 13 Derivative Investments.

H. Pollution Remediation

Governmental Activities

Georgia Department of Transportation

The Georgia Department of Transportation has recorded liabilities totaling $548,546 at June 30, 2011 for pollution remediation related to underground storage tanks at four locations and for pollution remediation at two laboratory sites. The liabilities were determined using the Expected Cash Flow Measurement Technique which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. The estimated amount of recovery from insurance and other potentially responsible parties is $48,024. Pollution remediation liability activity in fiscal year 2011 was as follows (in thousands):

Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
$835	-	$287	$548	$195

Business-Type Activities

University of Georgia

The University of Georgia is responsible for pollution remediation at the Milledge Avenue landfill site. The University of Georgia has recorded a liability and expense related to this pollution remediation in the amount of $925,631. The liability was determined using a 5 year budget estimate provided by environmental engineers & consultants. The University of Georgia does not anticipate any significant changes to the expected remediation outlay. There are no expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal year 2011 was as follows (in thousands):

Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
$963	$97	$134	$926	$119

Georgia Institute of Technology

Georgia Institute of Technology (Institute) is responsible for pollution remediation, including asbestos abatement, for all Institute facilities. Asbestos abatement is performed during renovation/construction projects when deemed necessary by Institute management. As of June 30, 2011, the Institute recorded a liability and expense in the amount of $195,387 for asbestos abatement projects in various Institute structures. The liability was determined using the Expected Cash Flow Measurement Technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. The Institute does not anticipate any significant changes to the expected remediation outlay. There are no expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal year 2011 was as follows (in thousands):

Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
$ 299	$ 196	$ 299	$ 196	$ 196

I. Debt Service Requirements

Annual debt service requirements to maturity for general obligation bonds, revenue bonds, GARVEE bonds, mortgage bonds and notes and loans payable are as follows (in thousands):

Primary Government

	Governmental Activities							
	General Obligation Bonds		Revenue Bonds		GARVEE Bonds		Notes and Loans Payable	
Year	Principal *	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 739,460	$ 382,679	$ 29,170	$ 20,526	$ 122,560	$ 62,635	$ 5,000	$ -
2013	698,905	345,802	29,035	19,730	128,930	56,781	10,600	-
2014	643,110	311,883	25,780	18,376	134,530	50,714	4,000	-
2015	633,080	280,524	21,525	17,283	141,150	44,095	-	-
2016	566,550	250,109	38,045	15,956	147,640	37,607	-	-
2017-2021	2,575,095	872,665	221,060	48,926	624,540	81,401	-	-
2022-2026	1,862,930	373,552	68,005	5,214	-	-	-	-
2027-2031	832,015	68,135	-	-	-	-	-	-
Total	**$ 8,551,145**	**$ 2,885,349**	**$ 432,620**	**$ 146,011**	**$ 1,299,350**	**$ 333,233**	**$ 19,600**	**$ - **

	Business-Type Activities			
	Revenue Bonds		Notes and Loans Payable	
Year	Principal	Interest	Principal **	Interest
2012	$ 9,420	$ 16,078	$ 194	$ 267
2013	9,895	15,816	203	258
2014	10,325	15,523	212	249
2015	10,790	15,198	5,580	239
2016	11,285	14,840	-	-
2017-2021	36,755	69,314	-	-
2022-2026	42,045	60,822	-	-
2027-2031	54,920	48,830	-	-
2032-2036	72,335	32,032	-	-
2037-2041	72,265	10,313	-	-
Total	**$ 330,035**	**$ 298,766**	**$ 6,189**	**$ 1,013**

* Includes $273.2 million of bonds with variable interest rates based on the weekly rate determination of the Remarketing Agent. The interest rate at June 30, 2011, for these variable rate bonds was as follows: 2.0% for $91.1 million, 1.0% for $91.1 million and 1.0% for $91.1 million.

** The note payable to the U.S. Treasury for $728.0 million to state unemployment benefits has not been included in this schedule. A repayment schedule has not yet been implemented.

Component Units

Year	University System of Georgia Foundations Revenue Bonds Principal	University System of Georgia Foundations Revenue Bonds Interest	Other Component Units Revenue Bonds Principal	Other Component Units Revenue Bonds Interest	Georgia Housing and Finance Authority Mortgage Bonds Principal	Georgia Housing and Finance Authority Mortgage Bonds Interest
2012	$ 50,707	$ 114,359	$ 29,995	$ 12,752	$ 34,400	$ 37,180
2013	55,915	111,814	23,054	15,565	21,710	36,149
2014	61,985	110,828	33,458	14,875	22,280	35,447
2015	66,215	108,216	13,608	13,999	19,785	34,725
2016	69,849	105,372	37,710	13,150	23,655	33,972
2017-2021	401,861	475,662	253,120	104,526	149,405	151,916
2022-2026	498,493	375,580	4,199	870	153,785	116,850
2027-2031	602,038	245,844	1,536	93	161,130	79,972
2032-2036	492,557	112,618	-	-	176,050	40,035
2037-2041	255,614	27,809	-	-	86,505	7,328
2042-2046	10,935	237	-	-	94,500	2,336
Total	**$ 2,566,169**	**$ 1,788,339**	**$ 396,680**	**$ 175,830**	**$ 943,205**	**$ 575,910**

Year	University System of Georgia Foundations Notes and Loans Payable Principal	University System of Georgia Foundations Notes and Loans Payable Interest	Other Component Units Notes and Loans Payable Principal	Other Component Units Notes and Loans Payable Interest
2012	$ 30,020	$ 17,493	$ 8,704	$ 965
2013	15,517	16,936	6,764	779
2014	5,464	16,591	5,399	656
2015	16,176	16,367	3,252	469
2016	6,231	16,110	3,285	436
2017-2021	40,834	75,264	33,814	1,649
2022-2026	48,237	65,206	4,584	630
2027-2031	62,521	51,562	-	-
2032-2036	79,745	32,770	-	-
2037-2041	72,265	10,314	-	-
Total	**$ 377,010**	**$ 318,613**	**$ 65,802**	**$ 5,584**

Notes continued on the next page.

NOTE 9 - LEASES

A. Operating Leases

The State leases land, office facilities, office and computer equipment, and other assets. Some of these leases are considered for accounting purposes to be operating leases. Although lease terms vary, many leases are subject to appropriation from the General Assembly to continue the obligation. Other leases generally contain provisions that, at the expiration date of the original term of the lease, the State has the option of renewing the lease on a year-to-year basis. Total lease payments for the State's governmental activities, business-type activities, and component units were $45.1 million, $40.1 million, and $17.8 million, respectively, for the year ended June 30, 2011. Future minimum commitments for operating leases as of June 30, 2011, are listed below (in thousands).

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Fiscal Year Ended June 30			
2012	$ 27,738	$ 36,485	$ 16,329
2013	17,846	12,892	14,111
2014	10,158	8,129	13,266
2015	4,568	7,418	12,563
2016	2,401	10,057	11,715
2017-2021	4,196	14,334	57,969
2022-2026	707	9,381	38,871
2027-2031	95	6,867	34,080
2032-2036	7	1,033	14,611
2037-2041	-	212	1,089
2042-2046	-	-	357
Total Minimum Commitments	**$ 67,716**	**$ 106,808**	**$ 214,961**

B. Capital Leases

The State acquires certain property and equipment through multi-year capital leases with varying terms and options. In accordance with OCGA 50-5-64, the majority of these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the State of Georgia. The agreements shall terminate immediately at such time as appropriated and otherwise unobligated funds are no longer available to satisfy the obligations of the State of Georgia. At June 30, 2011, the historical cost of assets acquired through capital leases was as follows (in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Land	$ 3,460	$ 49,777	$ 7,583
Infrastructure	-	-	-
Buildings	346,856	3,456,560	56,531
Improvements Other Than Buildings	-	84,157	-
Machinery and Equipment	2,754	73,858	283
Software	-	-	-
Less: Accumulated Depreciation	(184,476)	(411,965)	(12,637)
Total Assets Held Under Capital Lease	**$ 168,594**	**$ 3,252,387**	**$ 51,760**

At June 30, 2011, future commitments under capital leases were as follows (in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Fiscal Year Ended June 30			
2012	$ 47,302	$ 223,341	$ 1,909
2013	44,796	227,180	1,288
2014	37,775	230,440	1,226
2015	35,258	231,335	1,127
2016	27,507	283,912	903
2017-2021	106,200	1,194,388	2,064
2022-2026	54,070	1,207,616	120
2027-2031	35,900	1,153,765	120
2032-2036	12,645	853,960	120
2037-2041	2,438	382,706	120
2042-2046	30	4,964	120
2047-2051	30	-	120
2052-2056	30	-	120
2057-2061	18	-	72
Total Capital Lease Payments	403,999	5,993,607	9,429
Less: Interest and Executory Costs	(180,570)	(2,823,086)	(1,823)
Present Value of Capital Lease Payments	**$ 223,429**	**$ 3,170,521**	**$ 7,606**

The capital leases of the Business-Type Activities include $1.6 billion of leases payable to higher education foundations (component units). The component units report the receivable balances as Accounts Receivable – Other.

C. Lease Receivables

The State leases certain facilities and land for use by others for terms varying from 1 to 40 years. The leases are accounted for as operating leases; revenues for services provided and for use of facilities are recorded when earned. Total revenues from rental of land and facilities for the State's governmental activities, business-type activities, and component units were $8.2 million, $51.8 thousand, and $43.8 million, respectively, for the year ended June 30, 2011. Minimum future revenues and rentals to be received under operating leases as of June 30, 2011, are as follows (in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Fiscal Year Ended June 30			
2012	$ 8,275	$ 49	$ 44,692
2013	8,303	1	23,067
2014	8,417	-	22,537
2015	8,535	-	22,300
2016	8,654	-	22,184
2017-2021	32,840	-	97,084
2022-2026	4,025	-	89,996
2027-2031	3,739	-	83,962
2032-2036	3,916	-	50,568
2037-2041	4,136	-	20,787
2042-2046	3,041	-	2,326
2047-2051	31	-	1,967
2052-2056	-	-	114
Total Minimum Revenues	**$ 93,912**	**$ 50**	**$ 481,584**

Notes continued on the next page.

NOTE 10 - RETIREMENT SYSTEMS

The State administers various retirement plans under two major retirement systems: Employees' Retirement System of Georgia (ERS System) and Teachers Retirement System of Georgia. These two systems issue separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective system offices. The State's significant retirement plans are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law. The State also provides an optional retirement plan for certain university employees: the Regents Retirement Plan.

Plan Descriptions and Contribution Information

Employees' Retirement System of Georgia

The ERS System is comprised of individual retirement systems and plans covering substantially all employees of the State except for teachers and other employees covered by the Teachers Retirement System of Georgia. One of the ERS System plans, the Employees' Retirement System of Georgia (ERS), is a cost-sharing multiple-employer defined benefit pension plan that was established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees and has the powers and privileges of a corporation. ERS acts pursuant to statutory direction and guidelines, which may be amended prospectively for new hires but for existing members and beneficiaries may be amended in some aspects only subject to potential application of certain constitutional restraints against impairment of contract.

On November 20, 1997, the Board created the Supplemental Retirement Benefit Plan of ERS (SRBP-ERS). SRBP-ERS was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of ERS. The purpose of the SRBP-ERS is to provide retirement benefits to employees covered by ERS whose benefits are otherwise limited by IRC Section 415. Beginning January 1, 1998, all members and retired former members in ERS are eligible to participate in the SRBP-ERS whenever their benefits under ERS exceed the limitation on benefits imposed by IRC Section 415.

The benefit structure of ERS is established by the Board of Trustees under statutory guidelines. Unless the employee elects otherwise, an employee who currently maintains membership with ERS based upon State employment that started prior to July 1, 1982, is an "old plan" member subject to the plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are "new plan" members subject to the modified plan provisions. Effective January 1, 2009, newly hired State employees, as well as rehired State employees who did not maintain eligibility for the "old" or "new" plan, are members of the Georgia State Employees' Pension and Savings Plan (GSEPS). Members of the GSEPS plan may also participate in the GSEPS 401(k) defined contribution component described below. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to the GSEPS plan.

Under the old plan, new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon a formula adopted by the Board of Trustees for such purpose. The formula considers the monthly average of the member's highest 24 consecutive calendar months of salary, the number of years of creditable service, and the member's age at retirement. Postretirement cost-of-living adjustments may be made to members' benefits provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a

designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Member contribution rates are set by law. Member contributions under the old plan are 4% of annual compensation up to $4,200 plus 6% of annual compensation in excess of $4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The State is required to contribute at a specified percentage of active member payroll established by the Board of Trustees and determined annually in accordance with an actuarial valuation and minimum funding standards as provided by law. These State contributions are not at any time refundable to the member or his/her beneficiary.

Employer contributions required for fiscal year 2011 were based on the June 30, 2008 actuarial valuation for the old and new plans and were set by the Board of Trustees on September 18, 2008 for GSEPS as follows:

Old Plan *	10.41%
New Plan	10.41%
GSEPS	6.54%

* 5.66% exclusive of contributions paid by the State on behalf of old plan members

Members become vested after 10 years of service. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contributions, the member forfeits all rights to retirement benefits.

Teachers Retirement System of Georgia

The Teachers Retirement System of Georgia (TRS) is a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of active and retired members and ex-officio State employees is ultimately responsible for the administration of TRS.

On October 25, 1996, the Board created the Supplemental Retirement Benefit Plan of the Georgia Teachers (SRBP-TRS). SRBP-TRS was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of TRS. The purpose of SRBP-TRS is to provide retirement benefits to employees covered by TRS whose benefits are otherwise limited by IRC Section 415. Beginning July 1, 1997, all members and retired former members in TRS are eligible to participate in the SRBP-TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service.

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the Consumer Price Index, may be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Options are available for distribution of the member's monthly pension, at a reduced rate, to a designated beneficiary on the member's death. Death, disability and spousal benefits are also available.

TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10

years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation.

Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2011 were 5.53% of annual salary. Employer contributions required for fiscal year 2011 were 10.28% of annual salary as required by the June 30, 2008 actuarial valuation.

The following table summarizes the State's employer contributions by defined benefit plan for the fiscal years ended June 30, 2011, 2010, and 2009 (dollars in thousands):

	ERS		TRS	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2011	$ 222,401	100%	$ 170,893	100%
2010	$ 236,656	100%	$ 161,184	100%
2009	$ 258,307	100%	$ 147,863	100%

In addition to the above contributions for employees of organizations in the State reporting entity, the State Departments of Revenue (DOR) and Education (DOE) are also responsible for making contributions to ERS or TRS on behalf of certain employers that are not in the reporting entity. The DOE made contributions to TRS of $5.9 million for each fiscal year presented for public school support personnel. The DOR made an $11.0 million contribution to ERS for local tax officials in fiscal year 2011 to cover both fiscal years 2010 and 2011 combined.

We have determined that in certain prior fiscal years, the DOR did not contribute its full requirement for the local tax officials group because adequate funds were not appropriated. The cumulative contribution shortfall for the period from 1997 to 2000 and for fiscal year 2009 amounted to $6.2 million. The State expects to fund this obligation over a ten-year period through higher contribution rate assessments to the DOR in the amount of $616 thousand each fiscal year. The higher assessments will begin in fiscal year 2013.

The number of participating employers by plan as of June 30, 2011 was:

ERS	737
TRS	399

These counts treat each legal entity in the State reporting entity as separate employers. Of the 737 employers in the ERS count, 442 are not in the State of Georgia reporting entity. Of the 399 employers in the TRS count, 296 are not in the State of Georgia reporting entity.

GSEPS 401(k) Defined Contribution Component

In addition to the ERS defined benefit pension described above, GSEPS members may also participate in the Peach State Reserves 401(k) defined contribution plan and receive an employer matching contribution. The 401(k) plan is administered by the ERS System and was established by the State of Georgia Employee Benefit Plan Council in accordance with State law and Section 401(k) of the Internal Revenue Code. The GSEPS segment of the 401(k) plan was established by State law effective January 1, 2009. Plan provisions and contribution requirements specific to GSEPS can be amended by State law. Other general 401(k) plan provisions can be amended by the ERS Board of Trustees as required by changes in Federal tax law or for administrative purposes. The State was not required to make significant contributions to the 401(k) plan prior to GSEPS because most members under other segments of the plan either were not State employees or were not eligible to receive an employer match on their contributions.

The GSEPS plan includes automatic enrollment in the 401(k) plan at a contribution rate of 1% of salary, along with a matching contribution from the State. The State will match 100% of the employee's initial 1% contribution. Employees can elect to contribute up to an additional 4% and the State will match 50% of the additional 4% of salary. Therefore, the State will match 3% against the employee's 5% total savings. Contributions greater than 5% do not receive any matching funds.

GSEPS employer contributions are subject to a vesting schedule, which determines eligibility to

receive all or a portion of the employer contribution balance at the time of any distribution from the account after separation from all State service. Vesting is determined based on the following schedule:

Less than 1 year	0%
1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 or more years	100%

Employee contributions and earnings thereon are 100% vested at all times. The 401(k) plan also allows participants to roll over amounts from other qualified plans to their respective account in the 401(k) plan on approval of the 401(k) plan administrator. Such rollovers are 100% vested at the time of transfer. Participant contributions are invested according to the participant's investment election. If the participant does not make an election, investments are automatically defaulted to a Lifecycle fund based on the participant's date of birth.

The participants may receive the value of their vested accounts upon attaining age 59.5, qualifying financial hardship, or retirement or other termination of service (employer contribution balances are only eligible for distribution upon separation from service). Upon the death of a participant, his or her beneficiary shall be entitled to the vested value of his or her accounts. Distributions are made in installments or in a lump sum.

In 2011, the State's employer and employee GSEPS contributions were $3.2 million and $5.0 million, respectively. Additionally, the State made contributions of about $785 thousand on-behalf of employers that are not in the reporting entity.

Summary of Significant Accounting Policies

Basis of Accounting

The ERS and TRS financial statements are prepared on the accrual basis of accounting. Contributions from the plan members are recognized as additions in the period in which the members provide services and are due. Employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Retirement and refund payments are recognized as deductions when due and payable.

Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. No investment in any one organization, other than those issued or guaranteed by the U. S. Government or its agencies, represents 5% or more of the net assets available for pension benefits.

Funded Status and Funding Progress

The funded status of the ERS and TRS plans at June 30, 2010, the most recent actuarial valuation date, is as follows (dollars in thousands):

Retirement System	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) --Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / (c)
ERS	$ 13,046,193	$ 16,295,352	$ 3,249,159	80.1%	$ 2,571,042	126.4%
TRS	$ 54,529,416	$ 63,592,037	$ 9,062,621	85.7%	$ 10,437,703	86.8%

These valuations reflect revised assumptions based on experience studies for the five-year period ending June 30, 2009. Additionally, the TRS Board has adopted a smoothed interest rate methodology for determining its investment rate of return. The method uses an initial rate of return for a 23 year look forward period that, when combined with actual returns for a seven year look back period, produces a 30 year average rate of return that equals the 7.50% ultimate long-term investment rate of return assumption that is based on TRS long term capital market assumptions and asset allocations. The interest rate used for years after the 23 year look forward period is the ultimate rate of return. The TRS Board adopted a refinement to this method on July 27, 2011 to include a corridor around the long-term investment rate of return. At the same time, the TRS Board adopted a change to the asset smoothing methodology by adding a corridor that limits the actuarial value of assets to not less than 75% or more than 125% of market value. Multiyear trend information about the funding progress is presented in the standalone financial reports issued by the ERS System and TRS. These schedules indicate whether the actuarial values of assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Additional information as of the latest actuarial valuations follows:

	ERS	TRS
Valuation date	June 30, 2010	June 30, 2010
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent of pay	Level percent of pay
Remaining amortization period	30 years	30 years
Period Open/Closed	Open	Open
Asset valuation method	7-year smoothed	7-year smoothed
Actuarial assumptions:		
Investment rate of return, initial	N/A	8.09%*#
Investment rate of return, ultimate	7.50%*	7.50%*
Projected salary increases	0.00% for FY 2011 2.725 - 4.625%* for FY 2012-2013 5.45 - 9.25%* for FY 2014+	3.75 - 7.00%*
Postretirement cost of living adjustment	None	3.00% annually

* Includes an inflation assumption of 3.00%

\# Initial rate of return limited by corridor to achieve maximum 7.84% average return over 40 year period

Regents Retirement Plan

Plan Description

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan established by the General Assembly of Georgia in Chapter 21 of Title 47 of the OCGA. It is administered and may be amended by the Board of Regents of the University System of Georgia (Proprietary Fund – Higher Education). Under the plan, eligible faculty members or principal administrators may purchase annuity contracts for the purpose of receiving retirement and death benefits. The four approved vendors (AIG-VALIC, American Century, Fidelity, and TIAA-CREF) have separately issued financial reports, which may be obtained through their respective corporate offices.

Benefits

Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

Funding Policy

The University System of Georgia makes monthly employer contributions for the Regents Retirement Plan at rates adopted by the Teachers Retirement System of Georgia Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2011, the employer contribution was 9.24% of the participating employee's earnable compensation. Employees contribute 5% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times. In 2011, employer and employee contributions were $94.5 million (9.24%) and $51.2 million (5%), respectively.

Notes continued on the next page.

NOTE 11 - POSTEMPLOYMENT BENEFITS

The State provides the following significant other postemployment benefit (OPEB) plans:

Administered by the Department of Community Health
- Georgia State Employees Post-employment Health Benefit Fund (State OPEB Fund)
- Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund)

Administered by the ERS System
- State Employees' Assurance Department – OPEB

Administered by the University System Office (Board of Regents)
- Board of Regents Retiree Health Benefit Fund

The financial statements for these plans are presented in the *Fiduciary Funds* section of this report. Separate financial reports that include the required supplementary information for these plans are also publicly available and may be obtained from the offices that administer the plans.

Retiree health benefits were previously funded through the Georgia Retiree Health Benefit Fund (GRHBF). In 2009, the General Assembly revisited the GRHBF and enacted legislation that, effective August 31, 2009, separated the GRHBF into two new funds: the Georgia School Personnel Post-employment Health Benefit Fund and the Georgia State Employees Post-employment Health Benefit Fund. The purpose of this change was to assure employers responsible for planning and funding future retiree health costs that their contributions would be dedicated to their respective retiree populations. Funds in the GRHBF were transferred to the Georgia State Employees Post-employment Health Benefit Fund or the Georgia School Personnel Post-employment Health Benefit Fund as described in the plan financial statements. The statute that created the GRHBF was repealed effective September 1, 2010.

Summary of Significant Accounting Policies

Basis of Accounting
The financial statements of these plans are prepared using the accrual basis of accounting. Contributions from employers and members are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments
Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price.

Plan Descriptions and Contribution Information

State OPEB Fund and School OPEB Fund
The State OPEB Fund is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that covers eligible former employees of State organizations (including technical colleges) and other entities authorized by law to contract with the Department of Community Health for inclusion in the plan. The State OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the health insurance plan for State employees.

The School OPEB Fund is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that covers the postemployment health benefits which are due under the group health plan for public school teachers (including librarians and other certificated employees of public schools and regional educational service agencies) or due under the group health plan for non-certificated public school employees. The plan covers eligible former employees and their qualified beneficiaries.

The OCGA assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees under both the State and School OPEB Funds, to the Board of Community Health (Board).

The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage,

and Medicare eligibility and election. On average, plan members pay approximately 25 percent of the cost of the health insurance coverage.

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The combined required contribution rates established by the Board for the active and retiree plans for the fiscal year ended June 30, 2011 were as follows:

	% of Covered Payroll		
	Combined Active and State OPEB Fund	*Combined Active and School OPEB Fund	
June 2010	22.165%	18.534%	for July Coverage
July 2010 – April 2011	25.586%	21.955%	for August – May Coverage
May 2011 – June 2011	22.667%	1.429%	for June – July Coverage

* The above school rates are for certificated teachers, librarians, regional educational service agencies, and certain other eligible participants. For non-certificated school personnel, the school plan direct employer contribution rates per member per month (combined active and retiree) were $162.72 for July – December 2010 coverage, $218.20 for January – May 2011 coverage, and $246.20 for June 2011 coverage. Additionally, the State Department of Education was appropriated $25.1 million for on-behalf payments of health insurance for non-certificated school personnel.

No additional contribution was required by the Board for fiscal year 2011 nor contributed to the State OPEB Fund or to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the State plan for other postemployment benefits and are subject to appropriation.

The State's estimated required pay-as-you-go employer contributions made to the State OPEB Fund and the School OPEB Fund for the fiscal years ended June 30, 2011, 2010, and 2009 were (dollars in thousands):

	State OPEB Fund		School OPEB Fund	
	State Employer Required Contribution	Percent Contributed	State Employer Required Contribution	Percent Contributed
2011	$ 147,749	100%	$ 1,682	100%
2010 *	$ 19,516	100%	$ 1,535	100%
2009	$ 150,756	100%	$ 1,571	100%

* Employer contributions to the State OPEB Fund were lower in fiscal year 2010 because claims were paid from existing plan assets in that year.

In addition to the above OPEB contributions for former employees of organizations in the State reporting entity, a portion of the contribution made to the State Health Benefit Plan by the State Department of Education on behalf of employers of non-certificated school personnel was transferred to the School OPEB Fund. The on-behalf amounts transferred for 2011, 2010, and 2009 were $293 thousand, $258 thousand, and $5.1 million respectively.

State Employees' Assurance Department – OPEB
State Employees' Assurance Department – OPEB (SEAD-OPEB) is a cost-sharing multiple-employer defined benefit postemployment plan that was created in fiscal year 2007 by the Georgia General Assembly to provide term life insurance to retired and vested inactive members of Employees' (ERS), Judicial (JRS), and Legislative (LRS) Retirement Systems. Eligibility was amended to exclude GSEPS members of ERS effective January 1, 2009 and to exclude members of JRS and LRS hired on or after July 1, 2009. Pursuant to Title 47 of the OCGA, the authority to establish and amend the benefit provisions of the plan is assigned to the Boards of Trustees (Trustees) of the Employees' and Judicial Retirement Systems.

Contributions by plan members are established by the Trustees, up to the maximum allowed by statute (not to exceed 0.5% of earnable compensation). The Trustees establish employer contribution rates, such rates which, when added to members' contributions, shall not exceed 1% of earnable compensation. For the fiscal year ended June 30, 2011, contributions of ERS "old plan" members were 0.45% of earnable compensation, 0.22% of which was paid by the employer. Contributions of ERS "new plan" members and of members of the Judicial and Legislative Retirement Systems were 0.23% of earnable compensation. There were no employer annual required contributions (ARC) for the fiscal years ended June 30, 2011, 2010, and 2009.

Board of Regents Retiree Health Benefit Fund
The Board of Regents Retiree Health Benefit Fund (Regents Plan) is a single-employer, defined benefit postemployment healthcare plan administered by the Board of Regents. The Regents Plan was authorized pursuant to OCGA Section 47-21-21 for the purpose of accumulating funds necessary to meet employer costs of retiree postemployment health insurance benefits.

Pursuant to the general powers conferred by OCGA Section 20-3-31, the Board of Regents of the University System of Georgia (college and university fund) has established group health and life insurance programs for regular employees of the University System. It is the policy of the Board of Regents to permit employees of the University System eligible for retirement or that become permanently and totally disabled to continue as members of the group health and life insurance programs. The policies of the Board of Regents of the University System of Georgia define and delineate who is eligible for these postemployment health and life insurance benefits.

The contribution requirements of plan members and the employer are established and may be amended by the Board of Regents. The Regents Plan is substantially funded on a "pay-as-you-go" basis; however, amounts above the pay-as-you-go basis may be contributed annually, either by specific appropriation or by Board designation. Organizational units of the Board of Regents of the University System pay the employer portion for health insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the Board of Regents for the upcoming plan year. For the 2011 plan year, the employer rate was approximately 70% of the total health insurance cost for eligible retirees and the retiree rate was approximately 30%. With regard to life insurance, the employer covers the total cost for $25,000 of basic life insurance. If an individual elects to have supplemental and/or dependent life insurance coverage, such costs are borne entirely by the retiree.

Annual OPEB Cost and Net OPEB Obligation – The annual other postemployment benefit cost (expense) for the Regents Plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table presents the components of the annual OPEB cost, the amount actually contributed, and the changes in the net OPEB obligation for the Regents Plan for 2011, 2010 and 2009 (dollars in thousands):

	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2009
Annual required contribution	$ 411,500	$ 381,700	$ 349,500
Interest on net OPEB obligation	31,500	17,800	7,100
Adjustment to annual required contribution	(45,300)	(25,200)	(9,500)
Annual OPEB cost (expense)	397,700	374,300	347,100
Less: Contributions made	(80,200)	(69,900)	(68,100)
Increase in net OPEB obligation	317,500	304,400	279,000
Net OPEB obligation - beginning of year	699,900	395,500 *	158,200
Net OPEB obligation - end of year	**$ 1,017,400**	**$ 699,900**	**$ 437,200**
Percentage of annual OPEB cost contributed	**20.2%**	**18.7%**	**19.6%**

* The fiscal year 2010 beginning of year balance was restated due to a correction in the split between retiree and active employee claims which increased reported employer contributions by $41.7 million.

Funded Status and Funding Progress – OPEB Plans

The funded status of each plan as of the most recent actuarial valuation date is as follows (dollars in thousands):

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / (c)
State OPEB	6/30/2010	$ 186	$ 4,478,594	$ 4,478,408	0.0%	$ 2,626,081	170.5%
School OPEB	6/30/2010	$ 58	$ 11,250,400	$ 11,250,342	0.0%	$ 11,446,504	98.3%
SEAD-OPEB	6/30/2010	$ 680,449	$ 691,001	$ 10,552	98.5%	$ 2,401,974	0.4%
Regents Plan	7/1/2010	$ 123	$ 3,384,100	$ 3,383,977	0.0%	$ 2,432,367	139.1%

The number of participating employers for the multiple-employer postretirement benefit plans as of June 30, 2011 was:

State OPEB	219
School OPEB	251
SEAD-OPEB	833

The SEAD-OPEB count treats each legal entity in the State reporting entity as a separate employer. Of the 833 employers in the SEAD-OPEB count, 534 are not in the State of Georgia reporting entity.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The State, School and SEAD-OPEB valuations as of June 30, 2010 reflect revised assumptions based on experience studies for the five-year period ending June 30, 2009. The schedule of funding progress with multiyear trend information for the Regents Plan is presented as *Required Supplementary Information* following the Notes to the Financial Statements. The multiyear trend information about the funding progress for the multiple-employer plans is presented in the standalone reports issued by the administering systems. These multiyear schedules indicate whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

Additional information as of the latest actuarial valuation follows:

	State OPEB & School OPEB	SEAD-OPEB	Regents Plan
Valuation date	June 30, 2010	June 30, 2010	July 1, 2010
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of pay, open	Level dollar, open	Level dollar over 30 years, closed
Remaining amortization period	30 years	30 years	27 years
Asset valuation method	Market Value	Market Value	Market Value
Actuarial assumptions:			
Investment rate of return	4.50%*	7.50%*	4.50%**
Healthcare cost trend rate - initial		n/a	8.25%**
Pre-Medicare eligible	9.00%*		
Medicare eligible	8.50%*		
Ultimate trend rate		n/a	4.50%
Pre-Medicare eligible	5.00%		
Medicare eligible	5.00%		
Year of ultimate trend rate	2018	n/a	2027

* Includes an inflation assumption of 3.00%

** Includes an inflation assumption of 2.50%

Notes continued on the next page.

NOTE 12 - RISK MANAGEMENT

A. Public Entity Risk Pool

The Department of Community Health administers the State Health Benefit Plan for the State. Participants include State agencies, component units, participating county governments and local educational agencies. This plan is funded by participants covered in the pool, by employer and employee contributions, and appropriations from the General Assembly of Georgia. The Department of Community Health has contracted with Cigna and UnitedHealthcare to process claims in accordance with the State Health Benefit Plan as established by the Board of Community Health.

B. Board of Regents Employee Health Benefits Plan

The Board of Regents of the University System of Georgia maintains a program of health benefits for its employees and retirees. This plan is funded jointly through premiums paid by participants covered under the plan and employer contributions paid by the Board of Regents and its organizational units. All units of the University System of Georgia share the risk of loss for claims of the plan.

The Board of Regents has contracted with Blue Cross Blue Shield of Georgia to process all claims in accordance with guidelines as established by the Board of Regents and Medco Health Solutions to administer the prescription drug plan.

C. Other Risk Management

The Department of Administrative Services (DOAS) has the responsibility for the State of administering the risk management funds of the State and making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets. The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS services claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' and teachers' indemnification. Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity and certain other risks. Premiums for the risk management program are charged to State organizations by DOAS to provide claims servicing and claims payment.

Charges by the workers' compensation risk management fund and the liability insurance risk management fund to other funds have failed to recover the full cost of claims over a reasonable period of time. Therefore, the unadjusted deficit at June 30, 2011, of $397.4 million both for workers' compensation and liability was charged back to the contributing funds. Expenditures of $276.2 million are reported in the General Fund, and expenses of $89.9 million are reported in the Higher Education (enterprise) Fund relating to this charge-back.

D. Claims Liabilities

A reconciliation of total claims liabilities for fiscal years ended June 30, 2011, and 2010, is shown below (in thousands):

	Public Entity Risk Pool		Board of Regents Employee Health Benefits Plan		Risk Management Fund	
	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2010
Unpaid Claims and Claim Adjustments July 1	$ 215,454	$ 212,158	$ 15,654	$ 21,828	$ 444,746	$ 403,851
Current Year Claims and Changes in Estimates	2,108,482	2,181,811	239,141	181,684	152,367	169,540
Claims Payments	(2,123,800)	(2,178,515)	(231,506)	(187,858)	(125,921)	(128,645)
Unpaid Claims and Claim Adjustments June 30	**$ 200,136**	**$ 215,454**	**$ 23,289**	**$ 15,654**	**$ 471,192**	**$ 444,746**

Notes continued on the next page.

NOTE 13 - DERIVATIVE INSTRUMENTS

Derivative Instruments are utilized by some of the Component Unit higher education foundations and consist primarily of interest rate swap agreements. Certain foundations have elected to apply Financial Accounting Standards Board (FASB) provisions therefore; the disclosure information for these foundations is presented separately. Details of the long term liabilities associated with the interest rate swap derivatives are within the Long-Term Liabilities - Component Units section.

Component Unit – GASB Organizations

The fair value balances and notional amounts of hedging derivative investments outstanding as reported in the fiscal year 2011 financial statements for foundations electing GASB provisions are as follows:

	Change in Fair Value		Fair Value at June 30, 2011		
	Classification	Amount	Classification	Amount	Notional
Component unit activities - GASB					
Cash flow hedges:					
Georgia Tech Athletic Association					
	Deferred outflow of resources	$ 1,346,871	Debt	$ (12,090,795)	$ 94,285,000
University of Georgia Athletic Association, Inc.					
2001 - Interest Rate Swap[1]	Deferred outflow of resources	(4,763,915)	Debt	-	-
2003 - Interest Rate Swap	Deferred outflow of resources	(420,035)	Debt	(1,708,890)	16,436,111
2005A - Interest Rate Swap	Deferred outflow of resources	(280,571)	Debt	(1,632,750)	12,405,000
2005B - Interest Rate Swap	Deferred outflow of resources	(794,588)	Debt	(3,209,674)	26,950,000
				$ (18,642,109)	
Investment Derivative Instruments:					
University of Georgia Research Foundation[2]					
	Investment revenue	(47,923)	Debt	-	-

[1]The University of Georgia Athletic Association, Inc. executed the termination of the Swap associated with the 2001 Series Bonds.

[2]The University of Georgia Research Foundation elected GASB provisions in 2011.

The fair value balances and notional amounts of hedging derivative instruments outstanding at June 30, 2010, and the changes in fair value of such derivative instruments for the year then ended as reported in the fiscal year 2010 financial statements for foundations electing GASB are as follows:

	Change in Fair Value		Fair Value at June 30, 2010		
	Classification	Amount	Classification	Amount	Notional
Component unit activities - GASB					
Cash flow hedges:					
Georgia Tech Athletic Association					
	Deferred outflow of resources	$ (1,921,639)	Debt	$ (10,743,924)	$ 94,285,000
University of Georgia Athletic Association, Inc.					
2001 - Interest Rate Swap	Deferred outflow of resources	(1,584,259)	Debt	(4,763,915)	33,100,000
2003 - Interest Rate Swap	Deferred outflow of resources	(671,636)	Debt	(2,128,925)	17,030,556
2005A - Interest Rate Swap	Deferred outflow of resources	(466,203)	Debt	(1,913,321)	13,385,000
2005B - Interest Rate Swap	Deferred outflow of resources	(1,202,381)	Debt	(4,004,262)	27,620,000
				$ (23,554,347)	

A. Interest Rate Swap Derivatives – GASB Organizations

University of Georgia Athletic Association (Association)

The fair value balances and notional amounts of hedging derivative investments outstanding as reported in the fiscal year 2011 financial statements are documented above. For derivative transactions, unless otherwise specified, Bank of America Merrill Lynch (BOAML) furnishes a single value for each transaction, even if comprised of multiple legs. Unless otherwise specified, valuations for derivative instruments represent, or are derived from, mid-market values. For some derivative instruments, mid-market prices and inputs may not be observable. Instead, valuations may be derived from proprietary or other pricing models based on certain assumptions regarding past, present and future market conditions. Some inputs may be theoretical, not empirical, and require BOAML to make subjective assumptions and judgments in light of their experience. For example, in valuing over-the-counter (OTC) equity options where there is no listed option with a corresponding expiration date, BOAML must estimate the future share price volatility based on realized volatility of the underlying shares over periods we deem relevant, implied volatilities of the longest dated listed options available on the underlying shares or major indices and other relevant factors. Valuations of securities with embedded derivatives may be based on assumptions as to the volatility of the underlying security, basket or index, interest rates, exchange rates, dividend yields, correlations between these or other factors, the impact of these factors upon the value of the security (including the embedded options), as well as issuer funding rates and credit spreads (actual or approximated) or additional relevant factors. While BOAML believes that the methodology and data they use to value derivatives and securities with embedded derivatives are reasonable and appropriate, other dealers might use different methodology or data and may arrive at different valuations.

Objective and Terms - As a means of interest rate management, the Association entered into three separate interest rate swap transactions with Bank of America, N.A. (the Counterparty) relating to its variable rate tax-exempt Series 2001 Bonds, tax-exempt Series 2003 Bonds, taxable Series 2005 Bonds, and tax-exempt Series 2005B Bonds. Pursuant to an ISDA Master Agreement and Schedule to ISDA Master Agreement each dated as of January 27, 2005, between the Association and the Counterparty and three Confirmations, the Association has agreed to pay to the Counterparty a fixed rate of interest in an amount equal to: (1) 3.49% per annum multiplied by a notional amount that is equal to the principal amount of the Series 2001 Bonds until September 2021; (2) 3.38% per annum multiplied by a notional amount that is equal to the principal amount of the Series 2003 Bonds until August 2033; (3) 5.05% per annum multiplied by a notional amount that is equal to the principal amount of the Series 2005 Bonds until July 2021; and (4) 3.48% per annum multiplied by the notional amount that is equal to the principal amount of the Series 2005B Bonds until August 2033. In return, the Counterparty has agreed to pay to the Association a floating rate of interest in an amount equal to: (1) 67% of LIBOR multiplied by a notional amount that is equal to the principal amount of the Series 2001 Bonds until September 2021; (2) 67% of LIBOR multiplied by a notional amount that is equal to the principal amount of the Series 2003 Bonds until August 2033; (3) LIBOR multiplied by a notional amount that is equal to the principal amount of the Series 2005 Bonds until July 2021; and (4) 67% of LIBOR multiplied by the notional amount that is equal to the principal amount of the Series 2005B Bonds until July 2035.

Fair Value - The Association will be exposed to variable rates if the Counterparty to a swap defaults or if a swap is terminated. A termination of the swap agreement may also result in the Association's making or receiving a termination payment.

On April 8, 2011, the Association executed the termination of the interest rate swap agreement on the 2001 Series Bonds at a cost of $3,308,664 to the Association. This termination was done in anticipation of the redemption of the 2001 Series Bonds on June 7, 2011. This amount was deferred and amortized over the life of the 2011 Bond Series.

As of June 30, 2011, the fair value of the interest rate swap agreement on the 2003 Series Bonds was $(1,708,890), indicating the amount that the

Association would be required to pay the Counterparty to terminate the swap agreement.

As of June 30, 2011, the fair value of the interest rate swap agreement on the 2005A Series Bonds was $(1,632,750), indicating the amount that the Association would be required to pay the Counterparty to terminate the swap agreement.

As of June 30, 2011, the fair value of the interest rate swap agreement on the 2005B Series Bonds was $(3,209,674), indicating the amount that the Association would be required to pay the Counterparty to terminate the swap agreement.

Credit Risk - As of June 30, 2011, the fair value of the swaps represents the Association's exposure to the Counterparty. Should the Counterparty fail to perform in accordance with the terms of the swap agreements, and variable interest rates remain at the current level, the Association could see a possible gain equivalent to $22.1 million less the cumulative fair value of $6.6 million. As of June 30, 2011, the Counterparty was rated as follows by Moody's and S&P:

	Moody's	S&P
Bank of America, N.A.	Aa3	A+

Basis Risk - The swaps expose the Association to basis risk. The interest rate on the Series 2003 Bonds and the Series 2005B Bonds is a tax-exempt interest rate, while the LIBOR basis on the variable rate receipt on the interest rate swap agreements is taxable. Tax-exempt interest rates can change without a corresponding change in the 30-day LIBOR rate due to factors affecting the tax-exempt market that do not have a similar effect on the taxable market. The Association will be exposed to basis risk under the swaps to the extent that the interest rates on the tax-exempt bonds trade at greater than 67% of LIBOR for extended periods of time. The Association would also be exposed to tax risk stemming from changes in the marginal income tax rates or those caused by a reduction or elimination in the benefits of tax exemption for municipal bonds.

Termination Risk - The interest rate swap agreement uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Association or the Counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable rate bonds would no longer carry a synthetically fixed interest rate. Also, if at the time of termination, the swap has a negative fair value, then the Association would be liable to the Counterparty for a payment equal to the swap's fair value.

Georgia Tech Athletic Association (Association)

In 2004, the Association received an up-front payment of $2,367,000 for a “swaption” related to its fixed rate Series 2001 bonds. The swaption is an option that allows the Counterparty to force the Association to enter into a pay-fixed, receive-variable interest rate swap on April 1, 2012. The Association would expect to issue variable-rate refunding bonds if the option is exercised by the Counterparty. The transaction, which is effectively a synthetic refunding of the 2001 bonds, represents the risk-adjusted present value savings of a refunding as of March 16, 2004.

Terms - The swaption was entered into on March 16, 2004. The $2,367,000 payment was based on a notional amount of $94,285,000. The Counterparty has the option to exercise the agreement on April 1, 2012 with an additional premium payment to the Association totaling $773,137. If the option is exercised, the swap will also commence on that date. The fixed swap rate of 5.125% was set at a rate that, when added to an assumption for remarketing and liquidity costs, will approximate the coupons on the “refunded” bonds. The swap’s variable payment would be the Bond Market Municipal Swap Index plus 21 basis points (0.21%).

Fair Value - At June 30, 2011 and 2010, the swap had a negative fair value of $12,090,795 and $10,743,924, respectively, estimated using the hybrid instrument method. This method is based on the fair value of the hybrid instrument, which had a negative fair value of $15,351,765 and $13,892,865 at June 30, 2011 and 2010, respectively. After amortizing the borrowing and calculating the “time value” of the option, the remaining fair value is attributed to the at-the-market swap.

Market Access Risk - If the option is exercised the Association will be obligated to issue variable rate debt refunding the applicable Series 2001 Bonds and the Association would be subject to net swap payments as required by terms of the contract - a fixed payment of 5.125% would be due to the Counterparty and a variable payment based on the Bond Market Municipal Swap Index plus 21 basis points (0.21%) would be due from the Counterparty. If the option is exercised and the variable-rate bonds are issued, the actual savings ultimately recognized on the transaction will be affected by the relationship between the interest rate terms of the to-be-issued variable rate bonds and the variable payment on the swap.

Interest Rate Risk - The Association is exposed to interest rate risk on its swap agreement. On the pay-fixed, receive-variable interest rate swap, the Association's net payment increases as the Bond Market Municipal Swap Index decreases.

Credit Risk - At June 30, 2011, the Association was not exposed to credit risk because the swap had negative fair value. However, should interest rates change such that the fair value of the swap becomes positive, the Association would be exposed to credit risk in the amount of the swap's fair value.

B. Investment Derivatives – GASB Organizations

University of Georgia Research Foundation

During 2008, the Real Estate Foundation which is part of the University of Georgia Research Foundation, entered into an interest rate cap agreement to limit the interest rate on the variable rate 2001 Bonds to a 4.0% fixed rate until December 3, 2012. On December 14, 2009, this derivative instrument was terminated. During 2006, the Real Estate Foundation entered into an interest rate cap agreement to limit the interest rate on the variable rate revolving credit agreement to a 6% fixed rate until December 1, 2010.

Component Unit – FASB Organizations

The fair value balances and notional amounts of hedging derivative investments outstanding as reported in the fiscal year 2011 financial statements for foundations electing FASB provisions are as follows:

	Change in Fair Value		Fair Value at June 30, 2011		
	Classification	Amount	Classification	Amount	Notional
Component unit activities - FASB					
Cash flow hedges:					
Georgia College & State University Foundation					
	Investment Revenue	$ 135,235	Debt	$ (739,863)	$ 6,715,000
	Investment Revenue	352,276	Debt	(3,650,550)	25,000,000
	Investment Revenue	1,228,184	Debt	(8,672,058)	69,820,000
Georgia Tech Foundation, Inc.					
	Investment Revenue	(1,198,000)	Debt	(7,655,000)	36,840,000
	Investment Revenue	(1,824,000)	Debt	(15,066,000)	88,750,000
MCG Health, Inc.					
	Investment Revenue	4,088,664	Debt	(14,499,225)	135,000,000
University of Georgia Foundation					
	Investment Revenue	315,599	Debt	(1,430,095)	5,894,453
	Investment Revenue	33,855	Debt	(43,174)	825,668
				$ (51,755,965)	

The fair value balances and notional amounts of hedging derivative instruments outstanding at June 30, 2010, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2010 financial statements for foundations electing FASB are as follows:

	Change in Fair Value		Fair Value at June 30, 2010		
	Classification	Amount	Classification	Amount	Notional
Component unit activities - FASB					
Cash flow hedges:					
Georgia College & State University Foundation					
	Investment Revenue	$ (3,601,233)	Debt	$ (875,098)	$ 7,175,000
	Investment Revenue	-	Debt	(4,002,826)	25,000,000
	Investment Revenue	-	Debt	(9,900,242)	69,820,000
Georgia Tech Foundation, Inc.					
	Investment Revenue	(2,093,000)	Debt	(6,457,000)	34,455,000
	Investment Revenue	(4,197,000)	Debt	(13,242,000)	88,750,000
MCG Health, Inc.					
	Investment Revenue	(6,499,542)	Debt	(18,587,889)	135,000,000
University of Georgia Foundation					
	Investment Revenue	(433,565)	Debt	(1,822,723)	6,200,000
	Investment Revenue	-	Debt	-	1,117,865
				$ (54,887,778)	
Investment Derivative Instruments:					
University of Georgia Research Foundation[1]					
	Investment Revenue	(1,298)	Debt	$ -	12,005,438
	Investment Revenue	(26,023)	Debt	(47,923)	-
				$ (47,923)	

[1]The University of Georgia Research Foundation elected GASB provisions in 2011.

Interest Rate Swap Derivatives – FASB Organizations

Georgia College & State University Foundation (Foundation)

The Foundation maintains an interest rate risk management strategy that uses interest rate swap derivative instruments to minimize significant, unanticipated earnings fluctuations caused by interest rate volatility. The Foundation's specific goal is to lower (where possible) the cost of its borrowed funds.

The Foundation entered into an interest rate swap transaction to convert its variable-rate bond obligations to fixed rates. This swap is utilized to manage interest rate exposures over the period of the interest rate swap and is designated as a highly effective cash flow hedge. The differential to be paid or received on all swap agreements is accrued as interest rates change and is recognized in interest expense over the life of the agreement. The swap agreements expire at various dates and have a fixed rate of 4.715%. The notional amounts are noted below. The interest rate swap contains no credit-risk-related contingent features and is cross collateralized by certain assets of the Foundation.

The effective portion of the gain or loss on this interest rate swap is reported in changes in net assets. Gains and losses on the interest rate swap representing hedge ineffectiveness or excluded from

the assessment of hedge effectiveness are recognized in current period changes in net assets.

The interest-rate swap transaction is summarized above and is included with liabilities in the Statement of Net Assets. There was no portion of the loss that was considered ineffective or excluded from the assessment of hedge effectiveness.

Georgia Tech Foundation, Inc. (Foundation)

The Foundation does not issue or trade derivative financial instruments except as described herein. Foundation assets are invested on its behalf with various investment managers, some of whom are authorized to employ derivative instruments, including swaps, futures, forwards and options. These derivatives are generally used for managing interest rate or foreign currency risk or to attain or hedge a specific financial market position. The following information is presented in thousands.

During 2008, a third party exercised the swaption related to the 1997A Bonds issued by Georgia Tech Facilities, Inc. (Facilities) and guaranteed by the Foundation. In conjunction with the exercise of the swaption, Facilities issued variable rate, tax-exempt 2008C Bonds with an interest rate approximately equal to the Securities Industry and Financial Markets Association (SIFMA) index plus 10 basis points, retired the 1997A Bonds with the proceeds, and entered into an underlying interest rate swap agreement with the third party, guaranteed by the Foundation. The agreement had an effective date of March 1, 2008 and a termination date of September 1, 2027. In June 2010, Facilities issued the 2010B Bonds which refunded the 2008C Bonds as well as provided the funds necessary $(1,560) to terminate the interest rate swap on the 2008C Bonds. Prior to the termination of the interest rate swap, a loss of $(212) was recognized in 2010 as a change in fair value of derivative financial instruments in the statements of activities. This resulted in a reduction in unrestricted net assets.

In 2003, the Foundation sold an interest rate swap option (swaption) to a third party and received $945. This transaction enabled the Foundation to monetize the call option on the Series 2001A Bonds, based on interest rate levels at that time. The swaption may be exercised by the third party on, and only on, November 1, 2011. If exercised, the Foundation will pay the third party a fixed rate of 5.27% (the average coupon rate on the existing bonds) through November 1, 2030 on principal amounts related to the bonds, and will receive a variable interest rate from the third party, on the same principal amounts, based on the SIFMA Index plus 10 basis points (0.10%). As of June 30, 2011 the total notional amount of the swaption once exercised is $36,840. The swaption, which had a fair value of $7,655 as of June 30, 2011, is reported as a derivative financial instrument (representing a liability), in the statements of financial position. A loss of $(1,198) was recognized in 2011 as a change in fair value of derivative financial instruments in the statements of activities, reducing unrestricted net assets.

In 2003, the Foundation sold a swaption to a third party and received $2,251. This transaction enabled the Foundation to monetize the call option on the Series 2002A Bonds, based on interest rate levels at that time. The swaption may be exercised by the third party on, and only on, May 1, 2012. If exercised, the Foundation will pay the third party a fixed rate of 5.01% (the average coupon rate on the existing bonds) through November 1, 2031 on principal amounts related to the bonds, and will receive a variable interest rate from the third party, on the same principal amounts, based on the SIFMA Index plus 10 basis points. If the third party exercises the swaption, the Foundation may cause variable rate tax-exempt bonds to be issued on its behalf (at an expected rate equal to the SIFMA Index plus 10 basis points) and utilize the proceeds to retire the Series 2002A Bonds. As of June 30, 2011 the total notional amount of the swaption once exercised is $88,750. Thus, if the swaption is exercised, it is expected that the Foundation will continue to pay the same fixed interest rate as if it had not called the Series 2002A Bonds. The swaption, which had a fair value of $15,066 as of June 30, 2011, is reported as a derivative financial instrument (representing a liability), in the Statement of Net Assets. A loss of $(1,824) was recognized in 2011 as a change in fair value of derivative financial instruments in the Statements of Activities, reducing unrestricted net assets.

MCG Health, Inc.

MCG Health, Inc. (Company) entered into a variable-to-fixed interest rate swap (the Swap). The intention of the Swap is to effectively convert the Company's variable interest rate on the Bonds into a synthetic fixed rate of 3.302%.

The Bonds and the Swap mature on July 1, 2037. The initial notional amount of the Swap is $135,000,000. The notional value of the Swap declines in conjunction with payments of Bond principal such that the outstanding balance of the Series 2008A and 2008B Bonds and the notional amount of the Swap remain equal at all times.

Under the Swap, the Company pays the Counterparty interest at a fixed rate of 3.302% and receives interest payments at a variable rate computed as 68% of LIBOR.

The fair value of the Swap is recorded as an asset or liability, depending on whether the termination of the Swap would result in amounts due to the Company or the Swap Counterparty. At June 30, 2011 and 2010, the fair value of the Swap represented a liability to the Company in the amount of $14,499,225 and $18,587,889, respectively. The Company or the Swap Counterparty is required to post collateral with the other party in the event that the fair value of the Swap exceeds certain thresholds, as defined. At June 30, 2011 and 2010, the Company had posted collateral of $5,400,000 and $8,100,000, respectively, with the Swap Counterparty which is included in other receivables in the Company's consolidated balance sheets.

As of June 30, 2011, the Company was exposed to credit risk in the amount of the fair value of the Swap. The Swap Counterparty was rated A+ by Fitch Ratings and Standard & Poor's and Aa3 by Moody's Investors Service as of June 30, 2011. To mitigate the potential for credit risk, various levels of collateralization by the Counterparty may be required should the Counterparty's credit rating be downgraded and the fair value of the Swap be in a liability position at a level above certain thresholds specified in the Swap agreement.

The Swap exposes the Company to basis risk should the relationship between LIBOR and prevailing market rates change significantly, changing the synthetic rate on the Bonds from the intended synthetic rate of 3.302%. As of June 30, 2011, the prevailing market rate was an aggregate 0.09%, whereas 68% of LIBOR was 0.128%. As of June 30, 2010, the prevailing market rate was an aggregate 0.222%, whereas 68% of LIBOR was 0.230%.

The Company or the Counterparty may terminate the Swap if the other party fails to perform under the terms of the agreement. If the Swap is terminated, the variable rate Bonds would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the Swap has a negative fair value (unfavorable to the Company), the Company would be liable to the Counterparty for a payment equal to the Swap's fair value.

The University of Georgia Foundation (Foundation)

The Foundation has two outstanding interest rate swap agreements effectively changing the interest rate exposure on the $1,117,865 note payable from variable to a 5.75% fixed rate over the term of the note payable and changing the interest rate exposure on the $6,200,000 note payable from variable to a 5.95% fixed rate over the term of the note payable. As of June 30, 2011 and 2010, the fair value of those interest rates swaps was a liability of $1,473,269 and $1,822,723, respectively. The Foundation recorded a gain on such swaps of $349,454 and a loss of $433,565 for the years ended June 30, 2011 and 2010, respectively, as an adjustment to interest expense.

Notes continued on the next page.

NOTE 14 – INTERFUND BALANCES AND TRANSFERS

Due To/From Other Funds at June 30, 2011, consist of the following (in thousands):

	Due From Other Funds				
	General Fund	Nonmajor Governmental Funds	Internal Service Funds	Fiduciary Funds	Total Due To Other Funds
Due To Other Funds					
General Fund	$ -	$ -	$ 301,106	$ -	$ 301,106
Higher Education Fund	-	-	90,579	-	90,579
State Employees' Health Benefit Plan	-	-	-	12,657	12,657
Nonmajor Enterprise Funds	-	4,022	-	-	4,022
Nonmajor Governmental Funds	-	-	143	-	143
General Obligation Bond Projects	513	-	1	-	514
Internal Service Funds	36	-	26	-	62
Fiduciary Funds	-	-	13	1,351	1,364
Total Due From Other Funds	**$ 549**	**$ 4,022**	**$ 391,868**	**$ 14,008**	**$ 410,447**

Interfund receivables and payables result from billings for goods/services provided between funds. All interfund receivables and payables are considered short-term in nature.

Interfund transfers at June 30, 2011, consist of the following (in thousands):

	Governmental Funds			Proprietary Funds			
	General Fund	General Obligation Bond Projects Fund	Nonmajor Governmental Funds	Higher Education Fund	Internal Service Funds	Fiduciary Funds	Total Transfers Out
Transfers Out:							
General Fund	$ -	$ 14,682	$ 1,339,112	$ 2,122,900	$ 4,971	$ 2,059	$ 3,483,724
General Obligation Bond Projects	13,869	-	35,193	-	-	-	49,062
Higher Education Fund	4,250	-	-	-	-	-	4,250
Unemployment Compensation Fund	4,287	-	-	-	-	-	4,287
Internal Service Funds	56,050	-	-	-	1,166	-	57,216
Total Transfers In	**$ 78,456**	**$ 14,682**	**$1,374,305**	**$2,122,900**	**$ 6,137**	**$ 2,059**	**$3,598,539**

Transfers are used to move revenues from the fund that statutes require to collect them to the fund that statutes require to expend them and to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Notes continued on the next page.

NOTE 15 – SEGMENT INFORMATION

The State Road and Tollway Authority issued Guaranteed Refunding Revenue bonds to finance a portion of the costs of acquiring, constructing and maintaining the Georgia 400 Project (the Project). The Project is accounted for within the nonmajor Enterprise Funds, along with other activity of the Authority. Investors in those bonds rely solely on the revenue generated from the Project for repayment. Summary financial information for the Project is presented below.

The Georgia Higher Education Facilities Authority (GHEFA) issued revenue bonds to acquire, construct, and equip several projects on college campuses throughout the State. Financial information for the Authority is included within the nonmajor Enterprise Funds. Summary financial information for the Authority is presented below.

	Georgia 400 Project	Georgia Higher Education Facilities Authority
Condensed Statement of Net Assets		
Assets		
Current assets	$ 80,678	$ 4,767
Noncurrent assets	13,443	294,004
Capital assets	5,430	-
Total assets	99,551	298,771
Liabilities		
Current liabilities	6,689	4,230
Noncurrent liabilities	37,299	287,872
Total liabilities	43,988	292,102
Net assets		
Invested in Capital Assets, Net of Related Debt	5,430	-
Restricted	27,343	-
Unrestricted	22,790	6,669
Total net assets	$ 55,563	$ 6,669
Condensed Statement of Revenues, Expenses, and Changes in Net Assets		
Operating revenues (pledged against bonds)	$ 20,292	$ 15,183
Depreciation/amortization expense	(1,795)	(313)
Other operating expenses	(7,413)	(8)
Operating income	11,084	14,862
Nonoperating revenues (expenses)		
Investment income	38	1
Interest expense	(979)	(15,133)
Change in net assets	10,143	(270)
Beginning net assets	45,420	6,939
Ending net assets	$ 55,563	$ 6,669
Condensed Statement of Cash Flows		
Net cash provided by (used in):		
Operating activities	$ 13,669	$ 14,996
Noncapital financing activities	39,842	(14,953)
Capital and related financing activities	(23,238)	-
Investing activities	21,548	17
Net increase (decrease)	51,821	60
Beginning cash and cash equivalents	17,646	291
Ending cash and cash equivalents	$ 69,467	$ 351

Notes continued on the next page.

NOTE 16 – LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Grants and Contracts

Amounts received or receivable from grantor agencies are subject to audit and review by grantor agencies, principally the Federal government. This could result in a request for reimbursement by the grantor agency for any expenditures which are disallowed under grant terms. Also, certain charges for services by the Georgia Technology Authority (GTA) (internal service fund) to its State customers may have exceeded the cost of providing such services. Because these overcharges were included in amounts requested and received by State organizations from the Federal government under financial assistance programs, it is anticipated that an amount will be due back to the Federal government. The State believes that such disallowances, questioned costs and resulting refunds, if any, will be immaterial to its overall financial position.

B. Litigation and Contingencies

The State is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine governmental operations. The ultimate disposition of these proceedings is not presently determinable. However, the ultimate disposition of these proceedings would not have a material adverse effect on the financial condition of the State, with the following exceptions:

Primary Government

1. A suit has been filed against the Department of Transportation (DOT) by a plaintiff alleging three breach of contract causes of action, two related to price escalations of asphalt both prior to and subsequent to the original completion date, and the third alleging the failure to pay an outstanding contract balance in excess of $500,000 for work performed by the completion contractor. The plaintiff also alleges a claim under the Prompt Payment Act. The plaintiff's initial estimate of damages was approximately $9,000,000. The parties went to mediation in March 2010, but failed to reach a settlement. On March 9, 2010, DOT filed a motion for partial summary judgment on the majority of the issues. The hearing on the motion was held on March 28, 2011; however, based on arguments made by the plaintiff during the summary judgment hearing it now appears that the damages sought by the plaintiff has been reduced to $4,500,000. The Court has not rendered a decision on the motion and discovery is ongoing.

2. A suit was filed in Fulton County Superior Court on December 2, 2005 in which the plaintiff sought a tax refund of $2,281,990 from the Department of Revenue (DOR). The Court found in favor of DOR and the plaintiff's application for discretionary appeal was denied by the Georgia Court of Appeals. The plaintiff, its successor in interest, and other related entities (hereinafter collectively referred to as "the plaintiff") subsequently filed a number of separate but related lawsuits against DOR. In each of such cases, as described below, DOR has asserted the defense of collateral estoppel, as the legal issue in each case involves the same legal issue decided in favor of DOR in the 2005 case.

   a. Filed on September 20, 2007. Plaintiff seeks a sales tax refund of $10,147,730 from DOR. DOR filed a motion to dismiss on May 12, 2008 claiming collateral estoppel, as this case involves the same legal issue decided in favor of DOR in the 2005 case. Oral argument was conducted on February 9, 2011, and on February 11, 2011, the Superior Court granted DOR's motion to dismiss. The plaintiff's appeal was docketed on July 25, 2011. Both the plaintiff and DOR have filed their initial briefs and the plaintiff filed its reply brief on September 26, 2011. Oral argument was conducted before the Court of Appeals on November 10, 2011, and the parties are waiting for the decision from the Court of Appeals.

   b. Filed in Fulton County Superior Court on December 23, 2009. The plaintiff seeks a sales tax refund of $3,206,523 from DOR. DOR filed an answer on January 20, 2010 claiming collateral estoppel, as this case involves the same legal issue decided in favor of DOR in the 2005 case.

c. Filed in Fulton County Superior Court on October 8, 2010. The plaintiff seeks a sales tax refund of $2,972,698 from DOR. DOR filed an answer on November 11, 2010 claiming collateral estoppel, as this case involves the same legal issue decided in favor of DOR in the 2005 case.

3. A class action lawsuit filed on June 6, 2002 on behalf of 2,200 children in state custody asserting systemic deficiencies in foster care in Fulton and DeKalb counties. A consent decree was entered wherein the Department of Human Services ("DHS") (successor to certain powers, functions and duties of the former Department of Human Resources) agreed to make a number of specific system-wide management and infrastructure reforms (the "Consent Decree").

The United States District Court for the Northern District of Georgia (the "N.D. Ga. District Court") appointed two independent accountability agents to monitor DHS's progress and awarded attorneys' fees and costs to the plaintiffs in the amount of $10.5 million, of which $4.5 million was the result of a 1.75 multiplier applied by the N.D. Ga. District Court. DHS appealed the award of attorneys' fees to the Eleventh Circuit Court of Appeals (the "Eleventh Circuit"). In July 2008, the Eleventh Circuit affirmed the entire award. However, the majority opinion noted that although the panel affirmed the 1.75 multiplier applied by the N.D. Ga. District Court to the attorneys' fees and costs, they did so because they were bound by Eleventh Circuit precedent which the opinion noted may conflict with that of the United States Supreme Court (the "U.S. Supreme Court"). DHS filed a petition for rehearing *en banc* in the Eleventh Circuit, which was denied on November 5, 2008. On April 6, 2009, the U.S. Supreme Court granted the State's petition for certiorari on the award of attorney's fees and costs in this case, and oral argument was conducted before the U.S. Supreme Court on October 14, 2009. On April 21, 2010, the U.S. Supreme Court issued a decision in the case vacating and remanding the N.D. Ga. District Court's multiplier portion of its award of attorneys' fees and costs to Plaintiffs' counsel, holding that the N.D. Ga. District Court did not provide a proper justification for the amount of the multiplier. On remand, the Eleventh Circuit ordered the parties to mediation, which was held on August 25, 2010. The parties were unable to reach an agreement on the amount of the multiplier and on November 15, 2010, Plaintiffs filed a renewed motion for attorneys' fees and costs with the N.D. Ga. District Court. In the interim, the State has paid the undisputed portion of the requested fees in the amount of $8.1 million.

In addition, Plaintiffs sought and received payment from the State in June 2010 of an additional $1 million in attorneys' fees related to the State's efforts to comply with the Consent Decree. On March 31, 2011, the N.D. Ga. District conducted a hearing on the award of attorneys' fees. On July 19, 2011, the N.D. Ga. District Court entered two written orders. In the first order, the Plaintiffs' request for any enhancement of the multiplier of their original award was denied as there was no evidence in the record to support it. In the second order, while Plaintiffs' request for attorneys' fees and expenses related to the State's appeal to the Eleventh Circuit was denied, the N.D. Ga. District Court determined that Plaintiffs partially prevailed in the appeal to the Supreme Court, and thus would be permitted to submit a request for all fees and expenses related to their work on the appeal to the Supreme Court. Plaintiffs in turn submitted their request for a total of $995,895.53. The State's response was submitted to the N.D. Ga. District Court on September 6, 2011 in which the State alternatively argued that Plaintiffs are not entitled to any award, but if the N.D. Ga. District Court should determine that they are, then they should be awarded only approximately $330,000. The Plaintiffs filed a reply brief on September 23, 2011, and the N.D. Ga. District Court has not yet scheduled a hearing on this fee request or issued another written order.

In the underlying litigation regarding compliance with the Consent Decree regarding placement of children in Department of Family and Children's Services custody for Fulton and DeKalb counties, on November 23, 2010 the N.D. Ga. District Court entered a stipulated modification of the Consent Decree regarding measurement and reporting of DHS's performance thereunder. On April 12, 2011, due to Fulton County's substantial compliance with all material aspects of the Consent Decree for eighteen consecutive months, the N.D. Ga. District Court entered a consent decree to terminate the N.D. Ga. District Court's jurisdiction over Fulton County

and dismissing the action as it pertains to Fulton County and the Consent Decree. The N.D. Ga. District Court also approved the payment of $145,000 in attorneys' fees and expenses related to the Fulton County portion of the action.

4. Master Tobacco Settlement: Pursuant to the terms of the 1998 Master Settlement Agreement ("MSA") entered into between the Attorneys General of 46 states, including the State of Georgia, the District of Columbia, and the four U.S. Territories (collectively, the "Settling States"), and the major tobacco companies and other companies that have joined the MSA since its execution (collectively the "participating manufacturers"), the participating manufacturers must make payments into the Tobacco Settlement Fund to compensate the Settling States for Medicaid and other public health expenses incurred in the treatment of tobacco-related illnesses (Florida, Minnesota, Mississippi, and Texas settled separately). The State receives annual payments from the Tobacco Settlement Fund which are paid into the State Treasury and appropriated by the General Assembly. The participating manufacturers have commenced arbitration against the Settling States under the terms of the MSA in which the participating manufacturers contend that the amount of their payments to the Settling States for 2003 should be reduced. The State of Georgia asserts that it has acted properly and that the participating manufacturers are not entitled to a reduction in the amount of payments to be made to the State. In the event of a final determination in favor of the participating manufacturers, the current payments due to the State from the Tobacco Settlement Fund would be reduced in order to recapture any overpayment for 2003. With respect to the State of Georgia, the maximum potential reduction of funds to the State would not exceed the total fund payments of $129.13 million received by the State in 2003. Recently, the participating manufacturers asked the arbitrators to rule that they have the right under the MSA to withhold disputed monies from their annual payments pending the outcome of arbitration over their claims. The arbitrators ruled that the independent auditor for the MSA cannot apply an interim adjustment to the 2003 payments until an arbitration panel makes a final determination. The current arbitration proceeding is expected to last through calendar year 2012, and the participating manufacturers have stated that they will seek arbitration over adjustments for calendar year 2004 and subsequent calendar years. On November 4, 2011 the Participating Manufacturers contested the diligent enforcement efforts of thirty-three states, including Georgia, as well as the District of Columbia and Puerto Rico.

5. Interstate Water Disputes Among Georgia, Alabama and Florida: The State is involved in litigation in the United States District Court for the Middle District of Florida (the "M.D. Fl. District Court"), the United States District Court for the Northern District of Alabama (the N.D. Al. District Court"), and the Eleventh Circuit Court of Appeals concerning the operation of U.S. Army Corps of Engineers ("Corps") dams and reservoirs on the Chattahoochee River in Georgia for water supply and other purposes. Buford Dam impounds the Chattahoochee River to form Lake Lanier and is part of the Apalachicola-Chattahoochee-Flint ("ACF") River Basin. Lake Lanier is the primary source of water supply to more than three million people in North Georgia, including a substantial portion of the metropolitan Atlanta region's population. The additional federal reservoirs are downstream of Lake Lanier in the ACF River Basin. The ACF River Basin is shared by Alabama, Florida, and Georgia. Carters Lake and Lake Allatoona are in the Alabama-Coosa-Tallapoosa ("ACT") River Basin, which is shared by Alabama and Georgia.

Several cases involving the federal reservoirs in the ACF River Basin were consolidated by the Judicial Panel on Multidistrict Litigation (the "JPML") and assigned to U.S. District Judge Paul Magnuson in the M.D. Fl. District Court (the "ACF River Basin Litigation"). The ACF River Basin Litigation is docketed as *MDL-1824 In Re Tri-State Water Rights Litigation*, M.D. Fl., Case No. 3:07-MD-1. The main components of the ACF River Basin Litigation are: (1) several cases involving the authority of the Corps to operate Lake Lanier for water supply (this portion of the ACF River Basin Litigation is referred to as "Phase 1"), and (2) cases dealing with the quantity of water that the Corps must release from the federal reservoirs in the ACF River Basin to support the habitats of certain endangered and threatened species in the Apalachicola River in Florida pursuant to the Endangered Species Act (the

"ESA") (this portion of the ACF River Basin Litigation is referred to as "Phase 2").

Phase 1 of the ACF River Basin Litigation involves primarily interpretation of two statutes that govern the Corps' authority to operate Buford Dam and Lake Lanier: the River and Harbor Act of 1946 (the "1946 RHA") and the Water Supply Act of 1958 (the "WSA"). The 1946 RHA is the statute that authorized the construction of Buford Dam and Lake Lanier. The State of Georgia maintains that the 1946 RHA authorizes the Corps to modify its operations over time to meet evolving water supply needs. The States of Alabama, Florida, and other parties aligned with them (the "Alabama/Florida Parties") argue that the 1946 RHA merely allows the Corps to make available for water supply whatever water results incidentally from releases that are made to maximize the hydropower benefit from Lake Lanier. Construction of the Buford Dam/Lake Lanier project commenced in 1950 and took approximately six years. In 1958, the U.S. Congress enacted the WSA. The WSA allows the Corps to include storage in any reservoir project nationwide for municipal water supply, subject to certain restrictions.

During the 1970's, federal, state, and local governments conducted a joint study that concluded that the most favorable source of future water supply for metropolitan Atlanta was Lake Lanier. In the 1970's, the Corps began to enter into short-term contracts with certain Georgia municipalities to provide them with water supply from the Buford Dam/Lake Lanier project pending a permanent reallocation of storage in Lake Lanier to water supply. In 1989, the Corps issued a draft proposal to reallocate storage in Lake Lanier to water supply, and in 1990, Alabama sued the Corps to block that proposal. Georgia and Florida moved to intervene in that litigation, and it was stayed for more than a decade to allow negotiations to proceed.

On July 17, 2009, Judge Magnuson reached a decision in Phase 1 of the ACF River Basin Litigation (the "Phase 1 District Court Order"). In the Phase 1 District Court Order, Judge Magnuson held, among other things, that: (1) water supply is not an authorized purpose of the Buford Dam/Lake Lanier project under the 1946 RHA; and (2) the Corps' operations to meet current (and therefore also future) water supply demands exceed the supplemental authority that the WSA provides. The Phase 1 District Court Order provided that the Corps could continue operating Lake Lanier to meet current water supply needs until July 17, 2012, to allow time for federal legislation authorizing such operations, or for some alternative form of settlement among the parties. According to the Phase 1 District Court Order, in the absence of such legislation or settlement, as of July 17, 2012, direct water supply withdrawals from Lake Lanier (with the exception of certain withdrawals by the Cities of Buford and Gainesville) would have to cease, and releases from Buford Dam for water supply use downstream would have to revert to what Judge Magnuson found to be the "baseline" operation of the mid-1970's, which would result in a substantial reduction from the current levels of water supply withdrawals for the affected municipal water systems. The State of Georgia, other parties aligned with it, and the Corps appealed the Phase 1 District Court Order to the Eleventh Circuit. The appeals are docketed as *In Re: MDL-1824 Tri-State Water Rights Litigation*, United States Court of Appeals for the Eleventh Circuit Case Nos. 09-14657-G, 09-14810-G, and 09-14811-G.

On June 28, 2011, the Eleventh Circuit issued a decision (the "Eleventh Circuit Decision") reversing the Phase 1 District Court Order. The Eleventh Circuit Decision held, among other things, that (1) water supply is an authorized purpose of Lake Lanier under the 1946 RHA; (2) water supply is not subordinate to hydropower or other purposes under the 1946 RHA; (3) Congress contemplated in the 1946 RHA that water supply may have to be increased over time, at the expense of hydropower, as the metropolitan Atlanta area grows; (4) the 1946 RHA authorizes the Corps to reallocate storage from hydropower to water supply; (5) the WSA supplies supplemental authority, in addition to the authority under the 1946 RHA, for the Corps to reallocate storage to water supply; and (6) the M.D. Fl. District Court lacked jurisdiction to hear the Alabama/Florida Parties' Phase 1 claims because they were not challenges to any final agency action. The Eleventh Circuit remanded the case to the M.D. Fl. District Court with instructions for the M.D. Fl. District Court to remand the State of Georgia's water supply request to the Corps for the Corps to decide the extent to which it can reallocate storage to meet

Georgia's present and future water supply needs in light of the Eleventh Circuit's holdings regarding interpretation of the 1946 RHA and the WSA. The Alabama/Florida Parties petitioned the Eleventh Circuit for rehearing. The Eleventh Circuit denied that petition on September 16, 2011. The Alabama/Florida Parties may appeal the Eleventh Circuit Decision to the United States Supreme Court. If such an appeal is filed, the U.S. Supreme Court will have discretion whether or not to hear it. The Alabama/Florida Parties' petition for certiorari is due February 13, 2012.

In Phase 2 of the ACF River Basin Litigation, the State of Florida and other parties aligned with it (the "Florida Parties") claimed that the Corps' operating plan for the federal reservoirs in the ACF River Basin would place certain endangered and threatened species in jeopardy and result in adverse modification of the critical habitats of those species in violation of the ESA. An analysis by the United States Fish and Wildlife Service (the "FWS") found that the Corps' operating plan would not violate the ESA. On July 21, 2010, Judge Magnuson entered summary judgment in favor of the Corps and the FWS and against the Florida Parties as to all claims in Phase 2 of the ACF River Basin Litigation (the "Phase 2 District Court Order"). The Florida Parties appealed the Phase 2 District Court Order to the Eleventh Circuit on September 20, 2010 and subsequently moved to stay those appeals pending further consultation between the Corps and FWS regarding the Corps' interim operating plan. At present, the Florida Parties' opening briefs in the Phase 2 appeals are due on January 30, 2012. The Phase 2 appeals are docketed as *State of Florida v. U.S. Army Corps of Engineers*, United States Court of Appeals for the Eleventh Circuit Case Nos. 10-14403 & 10-14511.

In addition to the ACF River Basin Litigation, the litigation concerning the Corps' reservoir operations in the ACT River Basin and a permit that the Corps issued for the construction of the Hickory Log Creek Reservoir is pending in the N.D. Al. District Court (the "ACT River Basin Litigation"). The ACT River Basin Litigation includes claims by Alabama and parties aligned with it (the "Alabama Parties") that the Corps has exceeded its authority under the WSA through its operation of Lake Allatoona; that the Corps has acted illegally in allowing the Cobb-Marietta Water Authority ("CCMWA"), which supplies potable water to several large municipal water systems, including Cobb County, in the northwestern metropolitan Atlanta region, to allegedly withdraw more water than is allowed under CCMWA's storage contract with the Corps; and that the Corps violated the National Environmental Policy Act and other statutes when it issued the permit to the City of Canton and CCMWA for the Hickory Log Creek Reservoir. The ACT River Basin Litigation is docketed as *Alabama, et al. v. U.S. Army Corps of Engineers, et al.*, N.D. Al. District Court Case No. 1:90-CV-01331. The ACT River Basin Litigation has been stayed for much of the past twenty years. The Alabama Parties recently asked the N.D. Al. District Court to lift the stay to allow Alabama to proceed with the ACT River Basin Litigation. The Corps, and the State of Georgia and parties aligned with it contend that most of the claims in the ACT River Basin Litigation (including all of those challenging operation of Lake Allatoona for water supply) should be dismissed based on the Eleventh Circuit Decision in the ACF River Basin Litigation, and that the remaining claims should be dismissed on other grounds. The N.D. Al. District Court allowed Georgia and the other defendants, including the Corps, to file motions to dismiss the ACT River Basin Litigation on the basis of the Eleventh Circuit Decision. Such motions to dismiss have been filed. The Alabama Parties oppose the motions to dismiss. The N.D. Al. District Court has not indicated how or when it will rule on the motions to dismiss. Were the Alabama Parties to prevail in the ACT River Basin Litigation, the result could be that water supply to CCMWA could be limited or curtailed, and the amount of water available for water supply from the Hickory Log Creek Reservoir could be limited or curtailed.

6. Department of Behavioral Health and Developmental Disabilities ("DBHDD"): In January 2009, the Department of Justice ("DOJ") filed a complaint in the United States District Court for the Northern District of Georgia, Civil Case No. 1:09-CV-119-CAP, under the Civil Rights of Institutional Persons Act ("CRIPA"), resulting in a five year CRIPA Settlement Agreement with respect to the seven State-operated psychiatric hospitals. In accordance with that agreement, the State of Georgia has made changes to its facilities and operations,

including hiring a nationally recognized expert and his team to lead the process.

Notwithstanding the changes, in January 2010, DOJ filed a motion to amend its complaint and contemporaneously filed a new complaint under the Americans with Disabilities Act in the United States District Court for the Northern District of Georgia (the "N.D. Ga. District Court"), Civil Case No. 1:10-CV-249. Along with the new complaint, DOJ sought a preliminary injunction seeking the appointment of a monitor to implement DOJ's requested relief. On October 19, 2010, the parties entered into a comprehensive settlement agreement, focusing on providing treatment in community settings rather than state hospitals (the "ADA Settlement Agreement"). Pursuant to the ADA Settlement Agreement, the motion for preliminary injunction was withdrawn and the action was conditionally dismissed, with the Court retaining jurisdiction to enforce the ADA Settlement Agreement. The changes in treatment required under the ADA Settlement Agreement will result in substantial additional costs to be incurred by DBHDD.

DBHDD's provision of behavioral health and development disability services has also been impacted by the U.S. Supreme Court's decision in *Olmstead v. L.C.*, issued on June 22, 1999, which held that unnecessary segregation of individuals in institutions may constitute discrimination based on disability. *Olmstead* also recognized the States' need to maintain a range of facilities for the care and treatment of persons with diverse disabilities, and thus the need to consider the resources available for providing a range of services in addition to services in the community. The decision suggested that a state could establish compliance with ADA if it demonstrated that it has a comprehensive, effectively working plan for placing eligible persons with disabilities in less restrictive settings, and a waiting list that moves at a reasonable pace given the resources available and not controlled by trying to keep the State's institutions fully populated.

DBHDD continues to transition developmentally disabled persons and persons with mental health disorders to the community at a pace it considers to be reasonable. In accordance with the CRIPA Agreement with DOJ, the State has made changes in the staffing plans for the hospitals, and the way that treatment and discharge planning are managed for all consumers. On October 6, 2011, the Independent Reviewer retained to monitor compliance with the ADA Settlement Agreement filed her initial report with the N.D. Ga. District Court. While the report included a discussion of areas in need of continued improvement, the Independent Reviewer concluded that the State has demonstrated good faith and commitment in its implementation of its obligations under the ADA Settlement Agreement and has demonstrated that it can and will honor its obligation to comply with the substantive provisions thereof.

7. A suit has been filed in the United States District Court for the Northern District of Georgia on September 9, 2010 in which six plaintiffs purportedly suffering from mental or developmental disabilities filed a claim for relief against the Departmnent of Community Health (DCH) and DBHDD under the ADA and the *Olmstead* decision with respect to the alleged termination of certain Medicaid benefits for community-based behavioral health disability services. The plaintiffs have filed a motion seeking preliminary injunctive relief including reinstatement of the allegedly terminated benefits. A hearing on the motion was held on October 7, 2010 and a preliminary injunction was entered by the Court, which has been extended through February 13, 2012. The State has until March 12, 2012 to file any defensive pleadings. DOJ has filed a motion to intervene.

8. Immigration Legislation: During its 2011 session, the General Assembly passed the Illegal Immigration Reform and Enforcement Act of 2011 (Ga. L. 2011, Volume One, Book One, p. 794, *et seq.*, Act No. 252, H.B. 87, signed by the Governor on May 13, 2011 and effective July 1, 2011, referred to herein as "HB87"). The provisions of HB87 include, but are not limited to, provisions addressing criminal laws regarding: identity fraud, transporting and harboring persons that are present in the United States illegally, requiring governmental bodies to obtain affidavits from contractors entering into contracts with governmental bodies involving activities defined as physical performance of services within the State regarding their participation in a specifically defined work authorization program, requiring private employers having more than ten employees to register with and utilize a

specifically defined federal work authorization program, and requiring governmental bodies to obtain affidavits from certain persons regarding their participation in the specifically defined work authorization program before issuance or renewal of a business license, occupational tax certificate or other document required to operate a business. On June 2, 2011, a number of plaintiffs filed suit in the United States District Court for the Northern District of Georgia against the Governor and a number of other State officials as well as one local official seeking a declaratory judgment and injunctive relief regarding the constitutionality of HB87. On June 27, 2011, the Court enjoined the enforcement of two sections of HB87. Specifically, the Court prohibited enforcement of Section 7 which criminalizes behavior for those who facilitate illegal immigration by knowingly and intentionally harboring, enticing or transporting and illegal aliens within the State. The Court also enjoined the enforcement of Section 8 which authorizes Georgia law enforcement officers to reasonably investigate immigration status where they have probable cause to believe a crime has been committed. The State appealed the grant of the injunction to the Eleventh Circuit Court of Appeals on July 8, 2011 and the case is stayed pending resolution of the appeal (United States Court of Appeals for the Eleventh Circuit, Case No. 11-13044). The State filed its appellate brief on August 15, 2011, and an updated reply brief on October 28, 2011.

C. Guarantees and Financial Risk

Component Units

The federal government, through the Guaranteed Student Loan Programs of the U. S. Department of Education, fully reinsured loans guaranteed through September 30, 1993, unless the Georgia Higher Education Assistance Corporation's (GHEAC) rate of annual losses (defaults) exceeded five percent (5%). In the event of further adverse loss experience, GHEAC could be liable for up to (1) 20% of the outstanding balance of loans in repayment status at the beginning of each year which were disbursed prior to October 1, 1993, and (2) 22% of the outstanding balance of loans in repayment status at the beginning of each year which were disbursed on or after October 1, 1993.

The Georgia Student Finance Authority (GSFA) has guarantees with certain lenders under a loan servicing agreement to repurchase loans on which the federal guarantee is lost and on which a cure is not established within one year of guarantee loss. Effective May 1, 2007, the GSFA's loan servicing agreement ended with one particular lender whose portfolio was $154.4 million. The GSFA is no longer servicing these loans; however the GSFA's guarantee is still in effect for prior serviced loans until August 12, 2028.

The GSFA is responsible for a part of the $124.8 million in pledged receivables currently on its statement of net assets that become ineligible for the Department of Education Put Program due to the GSFA's breach or incompliance with the related service agreement. Based on the GSFA claim denial rate history and the nature of the obligation under the serviced loans, $2.1 million has been reserved for these potential future liabilities.

The Georgia Housing Finance Authority (GHFA) has uninsured loans of $15.8 million as of June 30, 2011. All of these loans are for home mortgages in the State of Georgia. Current economic conditions in Georgia have declined since their peak in 2006. One impact of these conditions has been a decline in housing values. As a result, GHFA has incurred a higher rate of loss on foreclosed loans as a result of the impact of these economic factors and the decline in the value of its underlying collateral on uninsured loans. Another factor that results from the decline in the economy is an increase in the number of foreclosures.

At June 30, 2011, the Georgia Development Authority (GDA) had transferred and assigned mortgage loans totaling $29.4 million to lenders under repurchase agreements. The agreements give the lenders the option to have GDA repurchase the mortgage loans for an amount equal to the then outstanding principal balance and interest due during a specified period of time. In addition, GDA guarantees the principal and interest payment by the borrower to the lender within 30 days of the due date. Any payment not received within 30 days is considered advanced to the borrower and paid to the lender by GDA. GDA then charges the borrower interest on these advances for the period outstanding at a penalty rate agreed upon at the loan origination

date. Unrestricted net assets in the amount of 15% of the principal balances outstanding of mortgage loans under repurchase agreements are designated by the GDA Board as an appropriated fund balance.

D. Pollution Remediation

Component Units

The Georgia Ports Authority is responsible for certain environmental remediation costs relative to its Bainbridge, Georgia terminal and other similar operations. The amount of environmental clean-up costs that have been accrued by the Authority as of June 30, 2011 is approximately $1.4 million.

Augusta State University has been notified as a potential responsible party for pollution remediation related to a Superfund site located in North Carolina. Other alleged customers of the facility, dating back 30 plus years, have also been notified as potential responsible parties. To date, the University has not been named in any legal action pursuant to this case. As of June 30, 2011, the University cannot reasonably estimate a liability for this pollution remediation obligation.

E. Other Significant Commitments

Primary Government

Bond Proceeds

The Georgia State Financing and Investment Commission has entered into agreements with various State organizations for the expenditure of bond proceeds and cash supplements (provided by or on behalf of the organization involved) to acquire and construct capital projects. At June 30, 2011, the undisbursed balance remaining on these agreements approximated $893 million.

Contractual Commitments

The Georgia Constitution permits State organizations to enter into contractual commitments provided they have funds available (statutory basis) at the time of the execution of the contract. At June 30, 2011, the fund balances of governmental funds include encumbrances of $3.6 billion in the General Fund and $123.6 million in the General Obligation Bond Projects Fund.

The Board of Regents of the University System of Georgia had significant, unearned, outstanding construction or renovation contracts executed in the amount of $128.6 million as of June 30, 2011. This amount is not reflected in the financial statements.

The Georgia Technology Authority (GTA) has significant commitments to IBM and AT&T through master service agreements. The $1.1 billion IBM master contract, effective April 1, 2009, is an eight year contract with two optional years, and has a remaining balance of $847.3 million. The $435.8 million AT&T master contract, effective May 1, 2009, is a five year contract with two optional years, and has a remaining balance of $301.4 million as of June 30, 2011.

Commitment to Fund Teacher Salaries

The State has historically accrued a payable to local education authorities (LEA's) for salaries earned by teachers and owed by the LEA's. For the fiscal year ended June 30, 2011, an accrual was recorded for approximately $911.8 million. This payable, however, is included in the appropriation bill effective July 1, 2011, and therefore, cannot be paid prior to July 1, 2011.

Component Units

Contractual Commitments

The Georgia Ports Authority (Authority) entered into an "Intergovernmental Agreement for Development of an Ocean Terminal on the Savannah River within the State of South Carolina" with the Georgia Department of Transportation and the South Carolina State Ports Authority (SCSPA). Under the agreement, the Authority purchased approximately 1,500 acres of land for the Jasper Ocean Terminal jointly with the SCSPA as 50% tenants in common. Further, under the agreement, the Authority has an obligation to provide $3 million in operation costs for the Jasper Port Project Office of which approximately $1.9 million has been provided as of June 30, 2011.

University System Foundations

The Georgia State University Foundation has future commitments with various limited partnership agreements with investment managers of real estate investment trusts and venture capital funds for the endowment portfolio. Payments under the various partnership agreements are made over a period of years based on specified capital calls by the respective partnerships. The purpose of these agreements is to provide endowment funds and nonprofit organizations the opportunity to invest in private limited partnerships, which in turn, make venture capital investments primarily in emerging growth companies, international private equity investments and in equity securities, warrants or other options that are generally not actively traded at the time of investment with the objective of obtaining long-term growth of capital. Capital calls are drawn from other liquid assets of the endowment investment pool as part of the asset allocation process. Investment commitments for the years ended June 30, 2011 and 2010 totaled $7.3 million and $8.4 million, respectively.

The Georgia State University Research Foundation has an operating lease commitment to SunTrust Bank for office space located in Atlanta, Georgia in the amount of $9,599 per month through June 2012. The minimum obligation under this lease commitment is $115,185 for the year ended June 30, 2012. In addition to the minimum obligation under the lease commitment, the Research Foundation is required to pay the landlord the Research Foundation's pro-rata share of the annual operating costs of the building. This amount is estimated by SunTrust Bank and is included in the rent expense. Rent expense was $223,097 for the year ended June 30, 2011.

Effective June 15, 2009 the Research Foundation made a commitment to provide support in the amount of $500,000 to the Georgia Research Alliance Venture Fund, LLP. This support will be provided over a five-year period, or a maximum of $100,000 per year beginning in the fiscal year ended June 30, 2010. During the 2011 fiscal year, the Research Foundation contributed $39,363 which is held in investments. Total contributions to the fund at June 30, 2011 were $93,273.

In 2009, the University of Georgia Research Foundation, Inc. Board of Trustees approved a maximum of $2,187,500 for the Real Estate Foundation's portion of the joint venture with the University and Athens-Clarke County, Georgia, to build a bridge to provide access to one of the Real Estate Foundation's parcels of land. As of June 30, 2011, $1,806,919 has been expended on this project. In May 2011, the University of Georgia Research Foundation, Inc. Board of Trustees approved maximum expenditures of $23 million related to the potential renovation or replacement of Rutherford Hall, a residence hall located on the University campus. This project is expected to begin construction in May 2012 and be completed in July 2013 in time for fall semester occupancy.

The University of Georgia Athletic Association Foundation has authorized commitments for construction aggregated approximately $4 million and $23.5 million at June 30, 2011 and 2010, respectively.

The University System of Georgia Foundation, Inc. had other significant construction contract commitments totaling approximately $34.1 million as of June 30, 2011.

Notes continued on the next page.

NOTE 17 - SUBSEQUENT EVENTS

Primary Government

A. Long-term Debt Issues

General Obligation Bonds Issued

In July 2011 the State sold General Obligation Bonds in the amount of $556.6 million for delivery on July 14, 2011:

Series	Amount (in millions)
2011A	$ 39.1
2011B	28.0
2011C	412.5
2011D	77.0
Total	$ 556.6

Proceeds of the bonds will be used primarily to fund new K-12 schools, to purchases of public safety equipment and for construction of higher education facilities.

These issuances include $479 million of tax-exempt debt and $77 million of federally taxable Qualified School Construction (QSC) bonds. The State locked in a true interest cost of 0.93% for 5-year bonds, 1.97% for 10-year bonds and 3.44% for 20-year bonds. The QSC bonds were sold with an interest rate of 3.96%. The Federal government provides a 100% interest rate subsidy on these bonds.

On November 2, 2011 the State sold General Obligation Bonds in the amount of $247.0 million for delivery on November 22, 2011:

Series	Amount (in millions)
2011H	$ 38.8
2011I	208.2
Total	$ 247.0

Proceeds of the bonds will be used primarily to fund repairs and renovations to State facilities, construction for K-12 schools, and improvements to water and sewer systems throughout the State.

The State was able to secure record low rates of 0.85 percent for the five-year bonds and 3.13 percent for the 20 year bonds.

General Obligation Refunding Bonds

In July 2011 the State sold General Obligation Refunding Bonds in the amount of $439.9 million for delivery on July 14, 2011:

Series	Amount (in millions)
2011E-1	$ 69.4
2011E-2	244.7
2011F	125.8
Total	$ 439.9

This refunding issue refinanced outstanding debt at lower rates saving the State $18.9 million in debt service and enabled the conversion of variable rate bonds to fixed rate bonds.

In July 2011 the State sold $127.3 million of General Obligation Refunding Bonds - Series 2011G in a private placement.

This refunding refinanced variable rate bonds to floating rate notes.

On November 2, 2011 the State sold General Obligation Refunding Bonds in the amount of $152.3 million for delivery on November 22, 2011:

Series	Amount (in millions)
2011J-1	$ 64.0
2011J-2	88.3
Total	$ 152.3

This refunding issue refinanced $153.8 million of the State's outstanding general obligation bonds at lower rates. The State locked in an interest cost of 2.34%. This refunding will save the State $13.3 million in debt service over the life of the bonds.

B. Retiree Benefits

On July 27, 2011 the Teachers Retirement System adopted a refinement to its "smoothed valuation

interest rate" methodology used in the actuarial valuation to include a corridor around the long-term investment rate of return. This approach is used for financial reporting purposes as well as funding purposes and has been applied to the June 30, 2010 actuarial valuation. At the same time, the method used to determine the actuarial value of assets was revised to include a corridor between 75% and 125% of market value around the actuarial value.

C. Unemployment Trust Fund

The solvency of Georgia's unemployment trust fund has been an ongoing concern as the current economic downturn has continued. The Federal Unemployment Account (FUA) provides for a loan fund for state unemployment programs to ensure a continued flow of unemployment benefits during times of economic downturn. As of June 30, 2011 the State had borrowed $728.0 million from the U.S. Treasury to pay State unemployment benefits. A repayment of $6.9 million was made in July 2011, reducing total borrowings for this purpose to $721.1 million. The interest rate for the Title XII loans during Federal fiscal year 2012 as published by the U.S. Treasury is about 4.0869% per annum. An interest payment of $21.0 million was paid to the U.S. Treasury on September 30, 2011. There is no federally mandated principal repayment schedule for Title XII loans at this time. The Social Security Act provides that the advances may be repaid at any time and may be paid from unemployment taxes or other funds in the State's unemployment trust fund; however, interest, if any, payable on the borrowings cannot be paid with unemployment insurance taxes or administrative grant funding. Other State funds must be used to pay interest costs. All borrowings must be repaid by November 10 of the second year of the loan; if not timely paid, the FUTA tax on the State's employers is effectively increased (by credit reduction) and the additional taxes are applied as payments against the loans. While a repayment plan has not yet been implemented, the State could adjust employer premiums. However, the rates will remain the same for fiscal year 2012 unless the General Assembly makes a decision to adjust them. Any increase in rates beyond what is needed to pay claims may be available to begin repayments of the principal component of the loaned amount.

Component Units

A. Revenue Bonds

On September 8, 2011, the Georgia Housing and Finance Authority (GHFA) issued a single family mortgage revenue bond (2011 Series B and 2009 Series C, Subseries C-4) for approximately $70.0 million. The GHFA closed this bond issue on September 8, 2011. Proceeds from the bond issue are expected to be used to purchase mortgages on affordable single family residences for those buyers who qualified under GHFA guidelines.

On December 1, 2011, the GHFA issued single family mortgage bonds in the amount of $83.0 million. This issuance includes 2011 Series C, a new issue of $33.2 million, and 2009 Subseries C-5, $49.8 million for the conversion of the final portion of 2009 Series C Bonds. Proceeds from the bond issue are expected to be used to purchase mortgages on affordable single family residences for those buyers who qualified under the GHFA guidelines.

On July 26, 2011, the Development Authority of Cobb County issued $30.2 million in revenue bonds and loaned the proceeds to Kennesaw State University Foundation (Foundation). The bonds were issued to finance the construction of a student housing project. In connection with this, the Foundation entered into a development agreement for the construction of the facility. On July 28, 2011, the Foundation entered into an agreement with an outside vendor to complete construction services for the third phase of the Sports Park. The estimated commitment at June 30, 2011, is approximately $9.9 million.

During November 2011, the Development Authority of Fulton County issued $41.7 million in revenue bonds and loaned the proceeds to the Georgia Tech Foundation (Foundation). The proceeds of the bonds provide funds to: (i) refund certain bonds previously issued for the benefit of the Foundation to finance or refinance, in whole or in part, the costs of the acquisition, construction and installation of certain facilities of the Foundation on the campus of the Georgia Institute of Technology, (ii) finance a portion of a termination payment for an interest rate swap, and (iii) pay certain costs of issuing the bonds.

These bonds are general unsecured obligations of the Foundation.

B. Refunding Bonds

On November 29, 2011, the Georgia World Congress Center refinanced $112.6 million of Series 2000 Domed Stadium Refunding Bonds with a private placement through Wells Fargo. The original 2000 refinanced bonds had an average interest rate of 5.5% compared to the new average rate of 3.2%. This refinancing is projected to save the Authority nearly $14.0 million over the life of the bonds.

C. Other Subsequent Events

On August 8, 2011, Standard & Poor's lowered the Georgia Extended Asset Pool credit-quality rating to AA+f from AAAf.

The State, along with 42 other states and the federal government, reached an agreement with Merck Sharp & Dohme Corporation (Merck) to settle civil and criminal allegations that Merck made false and misleading representations about its drug Vioxx. Specifically, the allegations claim that Merck marketed Vioxx for uses not approved by the United States Food and Drug Administration (FDA) and misrepresented the cardiovascular safety issues relating to the drug. The settlement amount for Georgia Medicaid is $15.6 million in state and federal dollars. The State portion is $6.8 million.

In 2003 the Georgia Tech Foundation (Foundation) sold an interest rate swap option (swaption) to a third party. The transaction enabled the Foundation to monetize the call option on certain bonds based on interest rates at that time. The swaption was exercised by the third party on November 1, 2011, and as a result, the Foundation refunded those bonds through the Development Authority of Fulton County as discussed above. As a result of the exercise, the Foundation paid the third party $10.1 million dollars to terminate the swaption.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF GEORGIA
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Required Supplementary Information
For the Fiscal Year Ended June 30, 2011

Schedule of Funding Progress (OPEB)
(dollars in thousands)

Retirement System	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability ("AAL") - Projected Unit Credit (b)	Unfunded AAL/(Funding Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL/(Funding Excess) as a Percentage of Covered Payroll [(b-a)/c]
Board of Regents - Retiree	7/1/2008	$ 290	$ 3,258,200	$ 3,257,910	0.0%	$ 2,372,385	137.3%
Health Benefit Fund	7/1/2009	10,566	3,129,508	3,118,942	0.3%	2,399,532	130.0%
	7/1/2010	123	3,384,100	3,383,977	0.0%	2,432,367	139.1%

Separate financial reports that include the required supplementary information for this plan are publicly available and may be obtained from the Board of Regents of the University System of Georgia.

Required Supplementary Information
Budgetary Comparison Schedule
Budget Fund
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	Original Appropriation	Amended Appropriation	Final Budget	Actual	Variance
Funds Available					
State Appropriation					
State General Funds	$ 15,398,666	$ 15,404,225	$ 15,404,225	$ 15,405,710	$ (1,485)
Brain and Spinal Injury Trust Fund	1,961	1,961	1,961	1,964	(3)
Hospital Provider Payment	229,007	215,766	215,080	215,080	-
Care Management Organization	-	-	297	297	-
Revenue Shortfall Reserve for K-12 Needs	-	152,158	152,158	152,158	-
Nursing Home Provider Fees	131,322	131,322	128,771	128,771	-
Lottery Funds	1,127,652	1,158,704	1,158,704	1,149,704	9,000
State Motor Fuel Funds	860,689	852,688	852,688	1,423,200	(570,512)
Tobacco Settlement Funds	140,062	146,799	146,799	146,799	-
State Funds - Prior Year Carry-Over					
State General Fund Prior Year	-	-	145,477	192,554	(47,077)
Brain and Spinal Injury Trust Fund - Prior Year	-	-	888	883	5
State Motor Fuel Funds - Prior Year	-	-	274,094	391,664	(117,570)
Tobacco Settlement Funds - Prior Year	-	-	194	194	-
Federal Funds					
CCDF Mandatory & Matching Funds	93,381	94,325	108,925	110,565	(1,640)
Child Care and Development Block Grant	102,184	137,773	134,490	136,874	(2,384)
Community Mental Health Services Block Grant	13,715	13,384	12,544	11,170	1,374
Community Services Block Grant	17,312	17,312	19,219	18,850	369
Federal Highway Administration [Highway Planning and Construction	1,143,630	1,143,659	1,146,133	945,169	200,964
Foster Care Title IV-E	91,637	73,661	80,981	80,855	126
Low-Income Home Energy Assistance	24,628	24,628	83,491	83,491	-
Maternal and Child Health Services Block Grant	20,919	21,824	25,072	22,837	2,235
Medical Assistance Program	5,253,441	5,244,479	5,757,706	5,508,287	249,419
Prevention and Treatment of Substance Abuse Block Grant	59,274	51,433	57,780	51,346	6,434
Preventive Health and Health Services Block Grant	3,056	3,112	3,474	2,639	835
Social Services Block Grant	54,771	92,673	107,225	93,394	13,831
Children's Health Insurance Program	232,691	246,072	246,587	230,954	15,633
Temporary Assistance for Needy Families	342,225	380,511	440,927	406,500	34,427
TANF Transfer to SSBG	25,800	25,800	15,210	-	15,210
TANF Unobligated Balance	25,201	35,216	20,385	4,425	15,960
Federal Funds Not Specifically Identified	3,424,067	3,777,943	4,394,032	4,212,850	181,182
American Recovery and Reinvestment Act of 2009					
Child Care and Development Block Grant	36,000	55,042	27,430	27,430	-
Federal Highway Administration [Highway Planning and Construction	-	-	-	162,550	(162,550)
Foster Care Title IV-E	7,178	2,861	1,876	1,876	-
Medical Assistance Program	748,910	608,624	615,850	569,512	46,338
Temporary Assistance for Needy Families	165,536	-	-	-	-
Federal Funds Not Specifically Identified	995,217	1,081,211	949,829	709,796	240,033
Federal Recovery	-	-	-	23,062	(23,062)
Other Funds	7,815,387	8,478,954	9,532,272	9,412,082	120,190
Total Funds Available	38,585,519	39,674,120	42,262,774	42,035,492	227,282
Expenditures					
Georgia Senate	9,956	9,774	10,136	9,039	1,097
Georgia House of Representatives	17,318	17,093	18,210	16,524	1,687
Georgia General Assembly Joint Offices	8,336	8,478	9,269	8,174	1,095
Audits and Accounts, Department of	30,536	30,003	30,003	29,795	208
Appeals, Court of	12,682	12,842	12,893	12,892	1
Judicial Council	16,621	16,142	18,420	16,798	1,623
Juvenile Courts	7,213	7,210	7,639	7,621	17
Prosecuting Attorneys	57,569	58,290	71,858	70,989	869
Superior Courts	57,315	57,822	57,822	57,813	9
Supreme Court	7,727	8,426	9,842	9,842	-
Accounting Office, State	16,031	15,952	20,305	19,570	735
Administrative Services, Department of	168,528	168,029	318,759	191,050	127,709
Agriculture, Department of	47,930	46,446	69,067	67,404	1,663
Banking and Finance, Department of	11,250	11,092	11,092	10,718	373
Behavioral Health & Developmental Disabilities, Department of	1,019,266	1,055,136	1,076,182	1,039,745	36,436
Community Affairs, Department of	205,134	216,821	249,258	236,925	12,333
Community Health, Department of	12,114,247	12,281,157	12,821,665	12,237,434	584,231
Corrections, Department of	1,102,075	1,102,866	1,139,481	1,133,822	5,660

(continued)

Required Supplementary Information
Budgetary Comparison Schedule
Budget Fund
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	Original Appropriation	Amended Appropriation	Final Budget	Actual	Variance
Expenditures					
Defense, Department of	40,878	40,720	63,587	63,232	355
Driver Services, Department of	61,049	59,907	61,985	61,976	9
Early Care and Learning, Department of	503,511	513,768	503,075	503,069	6
Economic Development, Department of	28,523	27,537	30,659	30,658	1
Education, Department of	9,580,654	9,896,485	9,818,898	9,673,408	145,490
Employees' Retirement System	28,119	28,812	29,042	27,877	1,165
Forestry Commission, Georgia	45,281	48,793	55,108	55,107	1
Governor, Office of the	90,472	86,229	214,793	180,224	34,569
Human Services, Department of	1,872,139	1,824,108	1,797,752	1,729,761	67,991
Insurance, Office of the Commissioner of	16,805	16,698	16,903	16,888	15
Investigation, Georgia Bureau of	117,145	113,496	129,802	129,788	14
Juvenile Justice, Department of	310,502	293,976	296,598	288,923	7,675
Labor, Department of	416,595	414,328	622,355	553,840	68,515
Law, Department of	53,807	54,184	58,457	56,683	1,774
Natural Resources, Department of	254,086	248,641	297,180	267,918	29,262
Pardons and Paroles, State Board of	51,654	52,674	54,878	54,849	29
Personnel Administration, State	10,321	10,321	16,894	14,411	2,483
Properties Commission, State	4,238	1,588	1,786	1,745	41
Public Defender Standards Council, Georgia	39,642	38,622	69,738	67,652	2,086
Public Safety, Department of	165,103	163,377	182,438	166,969	15,469
Public Service Commission	9,110	9,389	9,612	9,611	1
Regents, University System of Georgia	5,265,467	5,742,287	6,496,615	6,031,030	465,585
Revenue, Department of	134,576	157,072	176,790	176,690	100
Secretary of State	33,356	31,536	32,145	30,911	1,234
Soil and Water Conservation Commission	7,230	7,876	9,139	9,122	17
Student Finance Commission, Georgia	806,692	835,046	835,293	800,005	35,288
Teachers' Retirement System	29,462	29,374	29,602	27,625	1,977
Technical College System of Georgia	611,849	671,366	718,626	666,234	52,392
Transportation, Department of	1,858,733	1,884,942	2,332,173	1,943,788	388,385
Veterans Service, Department of	40,036	39,657	36,974	36,879	95
Workers' Compensation, State Board of	21,499	21,723	21,456	16,384	5,072
General Obligation Debt Sinking Fund	1,167,251	1,186,009	1,290,520	1,099,866	190,654
Total Expenditures	38,585,519	39,674,120	42,262,774	39,969,278	2,293,496
Excess of Funds Available over Expenditures	$ -	$ -	$ -	$ 2,066,214	$ (2,066,214)

Required Supplementary Information
Budget to GAAP Reconciliation
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	General Fund
Sources/Inflows of Resources	
Summary	
Actual amounts (budgetary basis) "Total Funds Available" from the budgetary comparison schedule	$ 42,035,492
Differences - budget to GAAP	
Perspective Differences:	
Revenues of budgeted funds included in the Budget Fund, but removed from the General Fund for financial reporting purposes.	(7,724,890)
Revenues of nonbudgeted funds included within the State's reporting entity, and shown in the General Fund for financial reporting purposes.	17,462,192
State appropriations revenues are budgetary resources, but are netted with the State's treasury disbursements for GAAP purposes.	(18,051,663)
Basis Differences:	
Accrual of taxpayer assessed receivables and revenues.	124,272
Fund balance adjustments are not inflows of budgetary resources, but affect current year revenues for GAAP reporting purposes.	(441,141)
Prior Year Reserves Available for Expenditure are included in Funds Available, but are not revenues for GAAP reporting purposes.	(2,027,957)
Revenues from intrafund transactions are budgetary resources, but are not revenues for GAAP reporting purposes.	(416,760)
Receivables and revenues accrued based on encumbrances reported for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for GAAP reporting.	(405,917)
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes.	(37,891)
Revenue reported for nonbudgetary food stamp program.	2,824,501
Other net accrued receivables and revenues.	84,075
Total Revenues (General Fund) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$ 33,424,313

Required Supplementary Information
Budget to GAAP Reconciliation
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	General Fund
Uses/Outflows of Resources	
Summary	
Actual amounts (budgetary basis) "Total Expenditures" from the budgetary comparison schedule	$ 39,969,278
Differences - budget to GAAP	
Perspective Differences:	
Expenditures of nonbudgeted Funds included within the State's reporting entity, and shown in the General Fund for financial reporting purposes.	154,598
Expenditures of Budgeted Funds for organizations not reported in the General Fund.	(9,806,224)
Basis Differences:	
Accrual of teacher salaries not included in current budget year.	43,464
Capital lease acquisitions are not outflows of budgetary resources, but are recorded as current expenditures and other financing sources for GAAP reporting.	25,851
Change in expenditure accrual for nonbudgetary Medicaid claims.	(24,720)
Encumbrances for supplies and equipment ordered but not received are reported as budgetary expenditures in the year the order is placed, but are reported as GAAP expenditures in the year the supplies and equipment are received.	(410,645)
Expenditures from intrafund transactions are budgetary outflows, but are not expenditures for GAAP reporting purposes.	(398,120)
Expenditures reported for nonbudgetary food stamp program.	2,824,501
Fund balance adjustments are not outflows of budgetary resources, but affect current year expenditures for GAAP reporting purposes.	(690,854)
Transfers to other funds are outflows of budgetary resources, but are not expenditures for GAAP reporting purposes.	(1,395,398)
Other net accrued liabilities and expenditures.	18,155
Total Expenditures (General Fund) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$ 30,309,886

Budgetary Reporting

Budgetary Process

The Official Code of Georgia Annotated (OCGA), Title 45, Chapter 12, Article 4 sets forth the process for the development and monitoring of an appropriated budget for the State of Georgia. Not later than September 1 of each year, the head of each executive branch budget unit (e.g. agencies, departments, and commissions) must submit estimates of the financial requirements for the subsequent fiscal year to the Office of Planning and Budget (OPB), which operates under the direction of the Governor. Budget estimates relative to the legislative and judicial branches of State government are provided to OPB for the purpose of estimating the total financial needs of the State, but are not subject to revision or review by OPB.

The Governor, through the OPB, examines the estimates and may investigate and revise executive branch submissions as necessary. Upon the completion and revisions of the estimates, the Governor must prepare and submit a budget report to the General Assembly within five days of the date on which the General Assembly convenes. The Governor also possesses the responsibility and authority to establish the revenue estimate for the corresponding fiscal year.

The General Assembly, after adopting such modifications to the Governor's budget report as it deems necessary, enacts the General Appropriations Act for the subsequent fiscal year. Each General Appropriations Act enacted, along with amendments as are adopted, continues in force and effect for the next fiscal year after adoption. In accordance with the Constitution of the State of Georgia, Article III, Section IX, Paragraph IV, "The General Assembly shall not appropriate [State] funds for any given fiscal year which, in aggregate, exceed a sum equal to the amount of unappropriated surplus expected to have accrued in the state treasury at the beginning of the fiscal year together with an amount not greater than the total treasury receipts from existing revenue sources anticipated to be collected in the fiscal year, less refunds, as estimated in the budget report and amendments thereto." The Constitution also authorizes the passage of additional Supplementary Appropriation Acts, provided sufficient surplus is available or additional revenue measures have been enacted. Finally, the Governor may withhold allotments of funds to budget units in order to maintain this balance of revenues and expenditures. Compliance with this requirement is demonstrated in the Governor's budget report and the Appropriation Acts for each fiscal year.

To the extent that federal funds received by the State are changed by federal authority or exceed the amounts appropriated by the original or supplementary appropriations acts, such excess, changed or unanticipated funds are "continually appropriated;" that is, they are amended in to departmental budgets when such events are known. Similarly, revenues generated by departments that may be retained for departmental operations ("other funds") are amended in as such funds are collected or anticipated.

Internal transfers within a budget unit are subject to the condition that no funds shall be transferred for the purpose of initiating a new program area which otherwise had received no appropriation of any funding source.

The Governor, through OPB, requires each budget unit, other than those of the legislative and judicial branches, to submit an annual operating budget based on the programs set forth in the Appropriations Act. Budget units submit periodic allotment requests, which must be approved in conjunction with quarterly work programs prior to release of appropriated funds. Further monitoring of budget unit activities is accomplished by review of expenditure reports, which are submitted quarterly to OPB.

The appropriated budget covers a majority of the organizations comprising the State's General Fund, and includes appropriations for debt service. The budget also includes certain proprietary funds, the Higher Education Fund, and the administrative costs of operating certain public employee retirement systems.

Budget units of the State are responsible for budgetary control of their respective portion of the total State appropriated budget. The legal level of budgetary control is at the program level by funding source. Due to the complex nature of the State appropriated budget, a separate *Budgetary*

Compliance Report is published each year to demonstrate compliance at the legal level of budgetary control.

Budgetary Basis of Accounting

The annual budget of the State of Georgia is prepared on the modified accrual basis utilizing encumbrance accounting with the following exceptions: federal and certain other revenues are accrued based on the unexecuted portion of long-term contracts; and intrafund transactions are disclosed as revenues and expenditures. Under encumbrance accounting, encumbrances are used to indicate the intent to purchase goods or services. Liabilities and expenditures are recorded upon issuance of completed purchase orders. Goods or services need not have been received for liabilities and expenditures to be recorded.

The budget represents departmental appropriations recommended by the Governor and adopted by the General Assembly prior to the beginning of the fiscal year. Annual appropriated budgets are adopted at the departmental (budget unit) level by program and funding source. All unencumbered annual appropriations lapse at fiscal year-end unless otherwise specified by constitutional or statutory provisions. Supplementary and amended appropriations may be enacted during the next legislative session by the same process used for original appropriations.

Budgetary Compliance Exceptions

Expenditures of State funds may not exceed the amount appropriated at the legal level of control as provided by the Constitution. For the year ended June 30, 2011, total State funds expenditures did not exceed appropriated amounts.

While overall expenditures of state funds did not exceed appropriations, budget units were unable to consistently demonstrate budgetary compliance at the "funding source within program" level as prescribed by the 2011 Appropriations Act. For more information on budgetary exceptions, please refer to the *Budgetary Compliance Report* issued under separate cover. This report can be found on website of the State Accounting Office at http://sao.georgia.gov/.

Budgetary Presentation

The accompanying Budgetary Comparison Schedule for the Budget Fund presents comparisons of the legally adopted budget with actual data prepared on the budgetary basis of accounting utilized by the State. The Budget Fund, a compilation of the budget units of the State, differs from the funds presented in the basic financial statements. The Budget-to-GAAP reconciliation immediately following the budgetary comparison schedule identifies the types and amounts of adjustments necessary to reconcile the Budget Fund with the General Fund as reported in accordance with generally accepted accounting principles.

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COMBINING AND INDIVIDUAL FUND STATEMENTS

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NONMAJOR GOVERNMENTAL FUNDS

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SPECIAL REVENUE FUNDS

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specific purposes. The State's special revenue funds represent the blended component units that conduct general governmental functions as described below:

The **Georgia Economic Development Foundation, Inc.** is a legally separate nonprofit corporation organized to assist the Department of Economic Development in its activities promoting the economic development of the State of Georgia.

The **Georgia Natural Resources Foundation** is a legally nonprofit organization organized to support the Georgia Department of Natural Resources (DNR). The Foundation is a publicly supported organization that provides funding and assistance to DNR to enhance natural resource conservation, historic preservation, environmental education, and outdoor recreation.

The **State Road and Tollway Authority** is a legally separate public corporation created to construct, operate and manage a system of roads, bridges and tunnels and facilities related thereto. The Authority issues bonded debt which finances State transportation infrastructure construction. Debt service payments due on outstanding bonds are paid by the Authority from redirected funds from the U. S. Department of Transportation and/or State motor fuel tax funds.

The **Georgia Tourism Foundation** is a legally separate nonprofit corporation organized to lessen the government burden in promoting tourism by soliciting contributions for the State-wide Tourism Marketing Program.

DEBT SERVICE FUND

The Debt Service Fund accounts for the payment of principal and interest on the State's general long-term debt.

PERMANENT FUND

The Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the State or its citizenry. The State's nonmajor permanent fund is described below:

The **Pupils Trust Fund - Georgia Academy for the Blind** is used to account for principal trust amounts received and related interest income. The interest portion of the trust may be used for student activities at Georgia Academy for the Blind.

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011
(dollars in thousands)

	Special Revenue			
	Georgia Economic Development Foundation, Inc.	Georgia Natural Resources Foundation	State Road and Tollway Authority	Georgia Tourism Foundation
Assets				
Cash and Cash Equivalents	$ 234	$ 39	$ 3,327	$ 160
Investments	-	-	748	-
Accounts Receivable	-	-	4,375	-
Due From Other Funds	-	-	4,022	-
Restricted Assets				
Cash and Cash Equivalents	-	-	44,934	-
Investments	-	-	17,617	-
Other Assets	-	-	54	-
Total Assets	$ 234	$ 39	$ 75,077	$ 160
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable and Other Accruals	$ -	$ -	$ 2,224	$ -
Due to Other Funds	-	-	143	-
Other Liabilities	-	-	65	-
Total Liabilities	-	-	2,432	-
Fund Balances:				
Nonspendable	-	-	54	-
Restricted	-	-	62,551	-
Unrestricted				
Assigned	234	39	10,040	160
Total Fund Balances	234	39	72,645	160
Total Liabilities and Fund Balances	$ 234	$ 39	$ 75,077	$ 160

Debt Service	Permanent Pupils Trust Fund - Georgia Academy for the Blind	Total
$ -	$ 14	$ 3,774
-	-	748
-	-	4,375
-	-	4,022
-	-	44,934
-	-	17,617
-	-	54
$ -	$ 14	$ 75,524
$ -	$ -	$ 2,224
-	-	143
-	-	65
-	-	2,432
-	14	68
-	-	62,551
-	-	10,473
-	14	73,092
$ -	$ 14	$ 75,524

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	Special Revenue			
	Georgia Economic Development Foundation, Inc.	Georgia Natural Resources Foundation	State Road and Tollway Authority	Georgia Tourism Foundation
Revenues:				
Sales and Services	$ 79	$ -	$ -	$ 50
Interest and Other Investment Income	-	-	191	-
Other	7	39	124	370
Total Revenues	86	39	315	420
Expenditures:				
Transportation	-	-	3,720	-
Economic Development and Assistance	166	-	-	314
Debt Service				
Principal	-	-	146,731	-
Interest	-	-	92,516	-
Other Debt Service Expenditures	-	-	1,902	-
Total Expenditures	166	-	244,869	314
Excess (Deficiency) of Revenues Over (Under) Expenditures	(80)	39	(244,554)	106
Other Financing Sources (Uses):				
Debt Issuance - Refunding Bonds	-	-	344,420	-
Debt Issuance - Refunding Bonds - Premium	-	-	55,821	-
Payment to Refunded Bond Escrow Agent	-	-	(398,339)	-
Operating Transfers In	-	-	239,246	-
Net Other Financing Sources (Uses)	-	-	241,148	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(80)	39	(3,406)	106
Fund Balances, July 1	314	-	76,051	54
Fund Balances, June 30	$ 234	$ 39	$ 72,645	$ 160

Debt Service	Permanent Pupils Trust Fund - Georgia Academy for the Blind	Total
$ -	$ -	$ 129
-	-	191
-	-	540
-	-	860
-	-	3,720
-	-	480
698,569	-	845,300
401,296	-	493,812
35,194	-	37,096
1,135,059	-	1,380,408
(1,135,059)	-	(1,379,548)
-	-	344,420
-	-	55,821
-	-	(398,339)
1,135,059	-	1,374,305
1,135,059	-	1,376,207
-	-	(3,341)
-	14	76,433
$ -	$ 14	$ 73,092

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NONMAJOR ENTERPRISE FUNDS

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ENTERPRISE FUNDS

The Enterprise Funds account for the business type activities of smaller governmental agencies that are funded by the issuance of debt or fees charged to external customers. The State's Nonmajor Enterprise Funds are described below:

The **Georgia Higher Education Facilities Authority** is a legally separate public corporation created for the purpose of financing eligible construction, renovation, improvement, and rehabilitation or restoration projects for the Board of Regents of the University System of Georgia and the Technical College System of the State of Georgia through the issuance of revenue bonds. The Authority issues debt and enters into lease agreements with Higher Education Foundations (Discretely Presented Component Units). The costs of the Authority's debt are recovered through lease payments from the Higher Education Foundations.

The **State Road and Tollway Authority** is a legally separate public corporation created to operate and manage a system of roads, bridges and tunnels and facilities related thereto. The State Road and Tollway Authority uses an enterprise fund to account for its operation of the Georgia 400 Extension toll road and for the I-85 HOV to HOT project.

Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2011
(dollars in thousands)

	Georgia Higher Education Facilities Authority	State Road and Tollway Authority	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 351	$ 9,348	$ 9,699
Investments	186	3,404	3,590
Accounts Receivable (Net)	630	34	664
Notes Receivable	3,600	-	3,600
Other Assets	-	264	264
Restricted Assets:			-
Cash and Cash Equivalents	-	57,094	57,094
Investments	-	10,655	10,655
Noncurrent Assets:			-
Investments	1	25	26
Notes Receivable	289,310	-	289,310
Other Noncurrent Assets	4,693	10,906	15,599
Restricted Assets:			-
Cash and Cash Equivalents	-	2,512	2,512
Investments	-	77	77
Other Noncurrent Assets			-
Nondepreciable Capital Assets	-	18,148	18,148
Depreciable Capital Assets, net	-	662	662
Total Assets	298,771	113,129	411,900
Liabilities			
Current Liabilities:			
Accounts Payable and Other Accruals	-	3,165	3,165
Due to Other Funds	-	4,022	4,022
Compensated Absences Payable	-	87	87
Revenue Bonds Payable	3,600	5,820	9,420
Other Current Liabilities	630	423	1,053
Current Liabilities Payable from Restricted Assets	-	3,602	3,602
Noncurrent Liabilities:			-
Compensated Absences Payable	-	87	87
Revenue Bonds Payable	287,872	31,305	319,177
Total Liabilities	292,102	48,511	340,613
Net Assets			
Invested in Capital Assets, Net of Related Debt	-	18,810	18,810
Restricted for:			
Other	-	27,343	27,343
Unrestricted	6,669	18,465	25,134
Total Net Assets	$ 6,669	$ 64,618	$ 71,287

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	Georgia Higher Education Facilities Authority	State Road and Tollway Authority	Total
Operating Revenues:			
Rents and Royalties	$ -	$ 52	$ 52
Sales and Services	15,183	20,241	35,424
Total Operating Revenues	15,183	20,293	35,476
Operating Expenses:			
Personal Services	-	2,758	2,758
Services and Supplies	8	5,625	5,633
Depreciation	-	739	739
Amortization	313	1,057	1,370
Total Operating Expenses	321	10,179	10,500
Operating Income (Loss)	14,862	10,114	24,976
Nonoperating Revenues (Expenses):			
Interest and Other Investment Income	1	38	39
Interest Expense	(15,133)	(980)	(16,113)
Total Nonoperating Revenues (Expenses)	(15,132)	(942)	(16,074)
Income (Loss) Before Contributions	(270)	9,172	8,902
Capital Contributions	-	10,380	10,380
Change in Net Assets	(270)	19,552	19,282
Net Assets, July 1	6,939	45,066	52,005
Net Assets, June 30	$ 6,669	$ 64,618	$ 71,287

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Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	Georgia Higher Education Facilities Authority	State Road and Tollway Authority	Total
Cash Flows from Operating Activities:			
Cash Received from Customers	$ 51	$ 20,512	$ 20,563
Cash Received from Required Contributions/Premiums	14,953	-	14,953
Cash Paid to Vendors	(8)	(5,218)	(5,226)
Cash Paid to Employees	-	(2,795)	(2,795)
Net Cash Provided by Operating Activities	14,996	12,499	27,495
Cash Flows from Noncapital Financing Activities:			
Payments to Lessee in direct Financing Lease	(94,174)	-	(94,174)
Proceeds from Bond Issuance	96,339	40,000	136,339
Bond Issuance Costs	(2,165)	(322)	(2,487)
Interest Paid on Bonds/Long-Term Debt	(14,953)	-	(14,953)
Transfers from Other Funds	-	1,077	1,077
Net Cash Provided by (Used in) Noncapital Financing Activities	(14,953)	40,755	25,802
Cash Flows from Capital and Related Financing Activities:			
Capital Contributions	-	10,380	10,380
Acquisition and Construction of Capital Assets	-	(12,741)	(12,741)
Principal Paid on Capital Debt	-	(19,830)	(19,830)
Interest Paid on Capital Debt	-	(1,303)	(1,303)
Net Cash Used in Capital and Related Financing Activities	-	(23,494)	(23,494)
Cash Flows from Investing Activities:			
Sale (Purchase) of Investments (Net)	16	21,510	21,526
Interest and Dividends Received	1	38	39
Net Cash Provided by (Used in) Investing Activities	17	21,548	21,565
Net Increase in Cash and Cash Equivalents	60	51,308	51,368
Cash and Cash Equivalents, July 1	291	17,646	17,937
Cash and Cash Equivalents, June 30	$ 351	$ 68,954	$ 69,305
Reconciliation of operating Income to net cash provided (used) by operating activities:			
Operating Income (Loss)	$ 14,862	$ 10,114	$ 24,976
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation/Amortization Expense	313	1,796	2,109
Other	(36)	-	(36)
Changes in Assets and Liabilities:			
Decrease (Increase) in Accounts Receivable	(143)	62	(81)
Decrease (Increase) in Other Assets	-	407	407
Increase (Decrease) in Unearned Revenue	-	166	166
Increase (Decrease) Compensated Absenses	-	(37)	(37)
Increase (Decrease) in Other Liabilities	-	(9)	(9)
Net Cash Provided by Operating Activities	$ 14,996	$ 12,499	$ 27,495

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INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis. The State's internal service funds are described below:

The **Department of Administrative Services** delivers a variety of supportive services to all state agencies and, upon request, to local governments in Georgia. Among the services provided are purchasing, surplus property, document services and fleet management.

The **Georgia Aviation Authority** is created by consolidating the current aviation programs and various responsibilities from the Department of Transportation, Department of Natural Resources, Department of Public Safety, and the Georgia Forestry Commission.

The **Georgia Building Authority** is responsible for all services associated with the management of State office buildings, maintaining the grounds within the State Capitol complex, maintaining the Governor's Mansion and operating parking facilities.

The **Georgia Correctional Industries Administration** utilizes the inmate work force to manufacture products and provide services for the penal system, other units of state government and local governments.

The **State Personnel Administration** is the central personnel agency for the State, and provides a system of personnel administration to attract, select and retain the best employees, enhance organizational performance, and provide employee benefits.

The **Risk Management** column is an accumulation of the funds used to account for self-insurance programs established by individual agreement, statute or administrative action:

The **Liability Insurance Fund** is used to account for the accumulation of funds for the purpose of providing liability insurance coverage for employees of the State against personal liability for damages arising out of performance of their duties.

The **Property Insurance Fund** is used to account for the assessment of premiums against various state agencies for the purpose of providing property, fire and extended coverage, automobile, aircraft and marina insurance.

The **State Indemnification Fund** is used to account for the accumulation of funds for the purpose of providing indemnification with respect to the death of any law enforcement officer, fireman or prison guard killed in the line of duty.

The **Supplemental Pay Fund** was created to provide a program of compensation for law enforcement officers who become physically disabled, but not permanently disabled, as a result of physical injury incurred in the line of duty and caused by a willful act of violence and for firefighters who become physically disabled, but not permanently disabled, as a result of physical injury incurred in the line of duty while fighting a fire. This program, not to exceed a 12 month period, shall entitle an injured law enforcement officer or firefighter to receive monthly compensation in an amount equal to such person’s regular compensation for the period of time that the person is physically unable to perform the required duties of employment.

The **Teacher Indemnification Fund** is used to account for the accumulation of funds for the purpose of providing indemnification with respect to the death of any public school employees killed or permanently disabled by an act of violence in the line of duty on or after July 1, 2001.

The **Unemployment Compensation Fund** was created for the purpose of consolidating processing of unemployment compensation claims against state agencies and the payment of sums due to the Department of Labor.

The **Workers' Compensation Fund** was established to authorize insurance coverage for employees of the State and for the receipt of premiums as prescribed by the Workers' Compensation statutes of the State.

The **Georgia Technology Authority** was created to provide technology enterprise management and technology portfolio management to state and local governments.

Combining Statement of Net Assets
Internal Service Funds
June 30, 2011
(dollars in thousands)

	Department of Administrative Services	Georgia Aviation Authority	Georgia Building Authority
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 1,042	$ 419	$ 13,961
Investments	99	-	6,932
Accounts Receivable (Net)	375	276	1,378
Due from Other Funds	526	-	-
Due from Component Units	-	-	-
Other Assets	169	-	1,599
Noncurrent Assets:			
Investments	1	-	51
Capital Assets:			
Land	-	-	21,426
Buildings and Building Improvements	-	13,161	399,095
Improvements Other Than Buildings	-	-	6,793
Machinery and Equipment	508	27,738	4,854
Software	-	-	-
Works of Art and Collections	-	-	1,240
Accumulated Depreciation	(410)	(28,458)	(188,107)
Total Assets	2,310	13,136	269,222
Liabilities			
Current Liabilities:			
Accounts Payable and Other Accruals	263	319	3,161
Due to Other Funds	19	-	10
Unearned Revenue	3	-	179
Claims and Judgments Payable	-	-	-
Compensated Absences Payable	887	-	978
Other Current Liabilities	-	-	-
Noncurrent Liabilities:			
Compensated Absences Payable	1,040	-	-
Total Liabilities	2,212	319	4,328
Net Assets			
Invested in Capital Assets, Net of Related Debt	98	12,441	245,301
Unrestricted	-	376	19,593
Total Net Assets	$ 98	$ 12,817	$ 264,894

Georgia Correctional Industries Administration	State Personnel Administration	Risk Management (see combining)	Georgia Technology Authority	Total
$ 2,548	$ 1,021	$ 27,769	$ 14,523	$ 61,283
328	1	16,900	6,860	31,120
2,738	647	34,950	4,709	45,073
-	190	366,129	25,023	391,868
-	-	-	65	65
14,308	113	-	246	16,435
2	-	76,015	50	76,119
44	-	-	13	21,483
12,167	-	-	562	424,985
-	-	-	-	6,793
24,131	150	-	54,719	112,100
-	-	-	55,079	55,079
-	-	-	-	1,240
(27,806)	(100)	-	(92,973)	(337,854)
28,460	2,022	521,763	68,876	905,789
1,291	397	722	23,801	29,954
-	16	-	17	62
-	-	20	-	202
-	-	471,192	-	471,192
542	295	-	795	3,497
-	37	-	2,010	2,047
1,043	539	-	1,231	3,853
2,876	1,284	471,934	27,854	510,807
8,536	51	-	17,400	283,827
17,048	687	49,829	23,622	111,155
$ 25,584	$ 738	$ 49,829	$ 41,022	$ 394,982

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	Department of Administrative Services	Georgia Aviation Authority	Georgia Building Authority
Operating Revenues:			
Contributions/Premiums	$ 791	$ -	$ -
Rents and Royalties	-	-	50,496
Sales and Services	2,588	1,758	2,437
Other	686	80	543
Total Operating Revenues	4,065	1,838	53,476
Operating Expenses:			
Personal Services	1,403	2,981	10,746
Services and Supplies	1,723	4,070	38,909
Claims and Judgments	-	-	-
Depreciation	224	1,373	13,724
Total Operating Expenses	3,350	8,424	63,379
Operating Income (Loss)	715	(6,586)	(9,903)
Nonoperating Revenues (Expenses):			
Interest and Other Investment Income	-	-	47
Other	-	-	(776)
Total Nonoperating Revenues (Expenses)	-	-	(729)
Income (Loss) Before Contributions, Special Items and Transfers	715	(6,586)	(10,632)
Capital Contributions	-	-	7,807
Transfers:			
Transfers In	-	4,639	332
Transfers Out	-	-	(2,630)
Net Transfers	-	4,639	(2,298)
Change in Net Assets	715	(1,947)	(5,123)
Net Assets, July 1	(617)	14,764	270,017
Net Assets, June 30	$ 98	$ 12,817	$ 264,894

Georgia Correctional Industries Administration	State Personnel Administration	Risk Management (see combining)	Georgia Technology Authority	Total
$ -	$ -	$ 182,065	$ 606	$ 183,462
-	-	11	-	50,507
57,667	16,566	-	229,258	310,274
-	-	67	-	1,376
57,667	16,566	182,143	229,864	545,619
12,379	8,301	2,272	19,374	57,456
45,200	5,667	24,778	195,870	316,217
-	-	152,367	-	152,367
1,575	24	-	4,483	21,403
59,154	13,992	179,417	219,727	547,443
(1,487)	2,574	2,726	10,137	(1,824)
4	-	3,087	95	3,233
802	-	9,826	(152)	9,700
806	-	12,913	(57)	12,933
(681)	2,574	15,639	10,080	11,109
-	-	-	-	7,807
-	-	1,166	-	6,137
-	(2,481)	(1,166)	(50,939)	(57,216)
-	(2,481)	-	(50,939)	(51,079)
(681)	93	15,639	(40,859)	(32,163)
26,265	645	34,190	81,881	427,145
$ 25,584	$ 738	$ 49,829	$ 41,022	$ 394,982

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	Department of Administrative Services	Georgia Aviation Authority	Georgia Building Authority
Cash Flows from Operating Activities:			
Cash Received from Customers	$ 3,302	$ 1,803	$ 52,845
Cash Received from Required Contributions/Premiums	-	-	-
Cash Paid to Vendors	(1,787)	(4,105)	(38,095)
Cash Paid to Employees	(1,442)	(2,981)	(10,803)
Cash Paid for Claims and Judgments	-	-	-
Other Operating Items (Net)	-	-	-
Net Cash Provided by (Used in) Operating Activities	73	(5,283)	3,947
Cash Flows from Noncapital Financing Activities:			
Transfers from Other Funds	-	4,639	-
Transfers to Other Funds	-	-	(2,298)
Other Noncapital Items (Net)	-	-	(300)
Net Cash Provided by (Used in) Noncapital Financing Activities	-	4,639	(2,598)
Cash Flows from Capital and Related Financing Activities:			
Capital Contributions	-	-	481
Acquisition and Construction of Capital Assets	3	(1,024)	(3,789)
Net Cash Provided by (Used in) Capital and Related Financing Activities	3	(1,024)	(3,308)
Cash Flows from Investing Activities:			
Sale (Purchase) of Investments (Net)	15	-	2,332
Interest and Dividends Received	1	-	48
Net Cash Provided by Investing Activities	16	-	2,380
Net Increase (Decrease) in Cash and Cash Equivalents	92	(1,668)	421
Cash and Cash Equivalents, July 1	950	2,087	13,540
Cash and Cash Equivalents, June 30	$ 1,042	$ 419	$ 13,961

Georgia Correctional Industries Administration	State Personnel Administration	Risk Management (see combining)	Georgia Technology Authority	Total
$ 60,715	$ 16,256	$ 98	$ 235,128	$ 370,147
-	-	133,382	-	133,382
(48,572)	(7,462)	(24,452)	(195,498)	(319,971)
(12,340)	(8,266)	(2,272)	(19,510)	(57,614)
-	-	(125,921)	-	(125,921)
-	-	-	101	101
(197)	528	(19,165)	20,221	124
-	-	1,166	-	5,805
-	(2,481)	(1,166)	(50,939)	(56,884)
802	-	9,826	-	10,328
802	(2,481)	9,826	(50,939)	(40,751)
-	-	-	-	481
(1,240)	-	-	2,140	(3,910)
(1,240)	-	-	2,140	(3,429)
59	-	18,188	13,429	34,023
4	-	5,270	95	5,418
63	-	23,458	13,524	39,441
(572)	(1,953)	14,119	(15,054)	(4,615)
3,120	2,974	13,650	29,577	65,898
$ 2,548	$ 1,021	$ 27,769	$ 14,523	$ 61,283

(continued)

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	Department of Administrative Services	Georgia Aviation Authority	Georgia Building Authority
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating Income (Loss)	$ 715	$ (6,586)	$ (9,903)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation Expense	224	1,372	13,724
Changes in Assets and Liabilities:			
Decrease (Increase) in Accounts Receivable	(350)	(34)	(673)
Decrease (Increase) in Due from Other Funds	(416)	-	-
Decrease in Due From Component Units	-	-	-
Increase (Decrease) in Other Assets	(169)	-	(53)
Increase (Decrease) in Accounts Payable and Other Accruals	108	(35)	857
Increase (Decrease) in Due to Other Funds	(3)	-	10
Increase in Unearned Revenue	3	-	42
Decrease in Claims and Judgments Payable	-	-	-
Increase (Decrease) in Compensated Absences Payable	(39)	-	(57)
Increase (Decrease) in Other Liabilities	-	-	-
Net Cash Provided by (Used in) Operating Activities	$ 73	$ (5,283)	$ 3,947
Noncash Investing, Capital, and Financing Activities:			
Acquisition of Capital Assets through Capital Leases	-	-	-
Donation of Capital Assets	$ -	$ -	$ 7,326
Change in Fair Value of Investments Recognized as a Component of Interest Income	-	-	-
Total Noncash Investing, Capital and Financing Activities:	$ -	$ -	$ 7,326

Georgia Correctional Industries Administration	State Personnel Administration	Risk Management (see combining)	Georgia Technology Authority	Total
$ (1,487)	$ 2,574	$ 2,726	$ 10,137	$ (1,824)
1,575	24	-	4,483	21,402
1,623	(152)	(1,752)	(1,117)	(2,455)
1,424	(158)	(39,760)	6,292	(32,618)
-	-	-	90	90
(2,416)	(113)	-	(246)	(2,997)
(943)	(1,725)	326	600	(812)
(1)	(27)	(7,172)	17	(7,176)
-	-	20	-	65
-	-	26,447	-	26,447
28	70	-	(136)	(134)
-	35	-	101	136
$ (197)	$ 528	$ (19,165)	$ 20,221	$ 124
-	-	-	-	-
$ -	$ -	$ -	$ -	$ 7,326
-	-	(2,182)	-	(2,182)
$ -	$ -	$ (2,182)	$ -	$ 5,144

Combining Statement of Net Assets
Internal Service Funds
Risk Management
June 30, 2011
(dollars in thousands)

	Liability Insurance Fund	Property Insurance Fund	State Indemnification Fund
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 10,662	$ 12,527	$ 361
Investments	6,490	7,632	219
Accounts Receivable (Net)	5	1,087	-
Due From Other Funds	49,954	-	-
Noncurrent Assets:			
Investments	29,192	34,331	985
Total Assets	96,303	55,577	1,565
Liabilities			
Current Liabilities:			
Accounts Payable and Other Accruals	216	8	1
Unearned Revenue	-	-	-
Claims and Judgments Payable	96,087	5,865	1,544
Total Liabilities	96,303	5,873	1,545
Net Assets			
Unrestricted	$ -	$ 49,704	$ 20

Supplemental Pay Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
$ 388	$ 763	$ 158	$ 2,910	$ 27,769
237	466	95	1,761	16,900
-	-	431	33,427	34,950
-	-	-	316,175	366,129
1,064	2,096	428	7,919	76,015
1,689	3,325	1,112	362,192	521,763
-	-	1	496	722
-	-	-	20	20
-	-	6,020	361,676	471,192
-	-	6,021	362,192	471,934
$ 1,689	$ 3,325	$ (4,909)	$ -	$ 49,829

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
Risk Management
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	Liability Insurance Fund	Property Insurance Fund	State Indemnification Fund
Operating Revenues:			
Contributions/Premiums	$ 7,777	$ 29,048	$ -
Rents and Royalties	4	3	-
Other	-	-	-
Total Operating Revenues	7,781	29,051	-
Operating Expenses:			
Personal Services	686	440	44
Services and Supplies	4,478	11,683	50
Claims and Judgments	3,968	3,816	1,106
Total Operating Expenses	9,132	15,939	1,200
Operating Income (Loss)	(1,351)	13,112	(1,200)
Nonoperating Revenues:			
Interest and Other Investment Income	1,351	1,180	26
Other	-	-	-
Income (Loss) Before Transfers	-	14,292	(1,174)
Transfers:			
Transfers In	-	-	1,166
Transfers Out	-	-	-
Net Transfers	-	-	1,166
Change in Net Assets	-	14,292	(8)
Net Assets, July 1	-	35,412	28
Net Assets, June 30	$ -	$ 49,704	$ 20

Supplemental Pay Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
$ -	$ 373	$ 15,502	$ 129,365	$ 182,065
-	-	-	4	11
-	-	-	67	67
-	373	15,502	129,436	182,143
-	-	36	1,066	2,272
100	4	130	8,333	24,778
31	-	13,274	130,172	152,367
131	4	13,440	139,571	179,417
(131)	369	2,062	(10,135)	2,726
70	95	56	309	3,087
-	-	-	9,826	9,826
(61)	464	2,118	-	15,639
-	-	-	-	1,166
(1,166)	-	-	-	(1,166)
(1,166)	-	-	-	-
(1,227)	464	2,118	-	15,639
2,916	2,861	(7,027)	-	34,190
$ 1,689	$ 3,325	$ (4,909)	$ -	$ 49,829

Combining Statement of Cash Flows
Internal Service Funds
Risk Management
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	Liability Insurance Fund	Property Insurance Fund	State Indemnification Fund
Cash Flows from Operating Activities:			
Cash Received from Customers	$ 5	$ 2	$ -
Cash Received from Required Contributions/Premiums	605	28,356	-
Cash Paid to Vendors	(4,281)	(11,880)	(50)
Cash Paid to Employees	(686)	(440)	(44)
Cash Paid for Claims and Judgments	(21,223)	(3,256)	(501)
Net Cash Provided by (Used in) Operating Activities	(25,580)	12,782	(595)
Cash Flows from Noncapital Financing Activities:			
Transfers from Other Funds	-	-	1,166
Transfers to Other Funds	-	-	-
Other Noncapital Items (Net)	-	-	-
Net Cash Provided by (Used in) Noncapital Financing Activities	-	-	1,166
Cash Flows from Investing Activities:			
Sale (Purchase) of Investments (Net)	25,492	(6,498)	(355)
Interest and Dividends Received	2,804	1,677	35
Net Cash Provided by (Used in) Investing Activities	28,296	(4,821)	(320)
Net Increase (Decrease) in Cash and Cash Equivalents	2,716	7,961	251
Cash and Cash Equivalents, July 1	7,946	4,566	110
Cash and Cash Equivalents, June 30	$ 10,662	$ 12,527	$ 361
Reconciliation of operating Income to net cash provided (used) by operating activities:			
Operating Income (Loss)	$ (1,351)	$ 13,112	$ (1,200)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Changes in Assets and Liabilities:			
Decrease (Increase) in Accounts Receivable	-	(693)	-
Decrease (Increase) in Due From Other Funds	-	-	-
Increase (Decrease) in Accounts Payable and Other Accruals	198	(197)	(1)
Increase (Decrease) in Due To Other Funds	(7,172)	-	-
Increase in Unearned Revenue	-	-	-
Increase (Decrease) in Claims and Judgments Payable	(17,255)	560	606
Net Cash Provided by (Used in) Operating Activities	$ (25,580)	$ 12,782	$ (595)
Noncash Investing Activities:			
Net Increase in Fair Value of Investments	$ (1,452)	$ (497)	$ (9)

Supplemental Pay Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
$ -	$ -	$ -	$ 91	$ 98
-	373	15,876	88,172	133,382
(100)	(4)	(130)	(8,007)	(24,452)
-	-	(36)	(1,066)	(2,272)
(31)	-	(14,344)	(86,566)	(125,921)
(131)	369	1,366	(7,376)	(19,165)
-	-	-	-	1,166
(1,166)	-	-	-	(1,166)
-	-	(741)	9,826	9,085
(1,166)	-	(741)	9,826	9,085
1,224	(64)	(515)	(1,096)	18,188
133	136	48	437	5,270
1,357	72	(467)	(659)	23,458
60	441	158	1,791	13,378
328	322	-	1,119	14,391
$ 388	$ 763	$ 158	$ 2,910	$ 27,769
$ (131)	$ 369	$ 2,062	$ (10,135)	$ 2,726
-	-	374	(1,433)	(1,752)
-	-	-	(39,760)	(39,760)
-	-	-	326	326
-	-	-	-	(7,172)
-	-	-	20	20
-	-	(1,070)	43,606	26,447
$ (131)	$ 369	$ 1,366	$ (7,376)	$ (19,165)
$ (63)	$ (41)	$ 8	$ (128)	$ (2,182)

STATE OF GEORGIA
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FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the State of Georgia in a fiduciary capacity. The State has the following fiduciary funds.

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

Pension and Other Employee Benefit Trust Funds are used to account for activities and balances of the public employee retirement systems and other postemployment benefit plans. The State's pension and other employee benefit trust funds are described below:

Pension Trust Funds

Defined Benefit Pension Plans

The **District Attorneys Retirement Fund** (old plan) is used to account for the accumulation of resources for the purpose of paying retirement benefits to the district attorneys of the State of Georgia.

The **Employees' Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances for qualified employees of the State of Georgia and its political subdivisions.

The **Firefighters' Pension Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the firefighters of the State of Georgia.

The **Georgia Judicial Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances for trial judges and solicitors of certain courts in Georgia, and their survivors and beneficiaries, superior court judges of the State of Georgia, and district attorneys of the State of Georgia.

The **Georgia Military Pension Fund** is used to account for the accumulation of resources for the purpose of providing retirement allowances and other benefits to members of the Georgia National Guard.

The **Judges of the Probate Courts Retirement Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the judges of the Probate Courts of the State of Georgia.

The **Legislative Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances for all members of the Georgia General Assembly.

The **Magistrates Retirement Fund** is used to account for the accumulation of resources for the purpose of providing retirement benefits for those serving as duly qualified and commissioned chief magistrates of counties in the State of Georgia.

The **Peace Officers' Annuity and Benefit Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the peace officers of the State of Georgia.

The **Public School Employees Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System.

The **Sheriffs' Retirement Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the sheriffs of the State of Georgia.

The **Superior Court Clerks' Retirement Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the Superior Court clerks of the State of Georgia.

The **Superior Court Judges Retirement Fund** (old plan) is used to account for the accumulation of resources for the purpose of paying retirement benefits to the Superior Court judges of the State of Georgia.

The **Teachers Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances and other benefits for teachers and administrative personnel employed in State public schools and the University System of Georgia (except those professors and principal administrators electing to participate in an optional retirement plan), and for certain other designated employees in educational-related work.

Defined Contribution / Deferred Compensation Pension Plans

The **Deferred Compensation Plans** are used to account for the accumulation of resources for the purpose of providing retirement allowances for State employees and employees of Community Service Boards who elect to defer a portion of their annual salary until future years.

The **Georgia Defined Contribution Plan** is used to account for the accumulation of resources for the purpose of providing retirement allowances for State employees who are not members of a public retirement or pension system.

Other Employee Benefit Trust Funds

Other Postemployment Benefit Plans

The **Board of Regents Retiree Health Benefit Fund** is used to account for the accumulation of resources necessary to meet employer costs of retiree health insurance benefits.

The **Georgia State Employees Postemployment Health Benefit Fund** pays postemployment health benefits (including benefits to qualified beneficiaries of eligible former employees) due under the group health plan for employees of State organizations and other entities authorized by law to contract with the Department of Community Health for inclusion in the plan. It also pays administrative expenses for the Fund. By law, no other use of assets of the State OPEB Fund is permitted.

The **Georgia School Personnel Postemployment Health Benefit Fund** pays postemployment health benefits (including benefits for qualified beneficiaries of eligible former employees) due under the group health plan for public school teachers including librarians and other certified employees of the public schools and regional educational service agencies, postemployment health benefits due under the group health plan for non-certificated public school employees, and administrative expenses of the Fund. By law, no other use of assets of the School OPEB Fund is permitted.

The **State Employees' Assurance Department – OPEB** is used to account for the accumulation of resources for the purpose of providing term life insurance to retired and vested inactive members of Employees', Judicial, Legislative, and Superior Court Judges Retirement Systems.

Other Employee Benefit Plan

The **State Employees' Assurance Department** is used to account for the accumulation of resources for the purpose of providing survivors' benefits for eligible members of the Employees', Judicial, Legislative, and Superior Court Judges Retirement Systems.

INVESTMENT TRUST FUNDS

Investment Trust Funds are used to account for the external portion of a government sponsored investment pool. The State's investment trust funds are described below:

The **Georgia Extended Asset Pool** is responsible for providing prudent management of public funds on behalf of the State of Georgia and local governments seeking income higher than money market rates.

The **Georgia Fund 1** is a combination local and state government investment pool with primary objectives specific to safety of capital, investment income, liquidity and diversification while maintaining principal. This fund was established to enable local governments to voluntarily invest any idle local monies.

The **Regents Investment Pool** invests funds on behalf of units of the university system and their affiliated foundations.

PRIVATE PURPOSE TRUST FUNDS

Private Purpose Trust Funds are used to report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. The State's private purpose trust funds are described below:

The **Auctioneers Recovery Fund** provides for actual or compensatory damages in instances where a person is aggrieved by an act, representation, transaction, or conduct of a person licensed under OCGA 43-6 (duly licensed auctioneer, apprentice auctioneer, or auction company) who is in violation of state law. Also, the fund is used to help underwrite the cost of developing courses, conducting seminars, conducting research projects on matters affecting auctioneers, publishing and distributing educational materials, or other education and research programs for the benefit of licensees and the public.

The **Real Estate Education, Research and Recovery Fund** provides for actual or compensatory damages in instances where a person is aggrieved by an act, representation, transaction, or conduct of a duly licensed broker, associate broker or salesperson who is in violation of state law. Also, the fund is used to help underwrite the cost of developing courses, conducting seminars, conducting research projects on matters affecting real estate brokerage, publishing and distributing educational materials, or other education and research programs for the benefit of licensees and the public.

The **Subsequent Injury Trust Fund** is a special workers' compensation fund designed to encourage employers to hire workers with pre-existing impairments by insuring against the aggravating impact such impairment could have if the worker were subsequently injured on the job.

AGENCY FUNDS

Agency Funds are used to report assets and liabilities for deposits and investments entrusted to the State as an agent for others. The State's significant agency funds are described below:

The **Child Support Recovery Program** accounts for the collection of court ordered child support or child support amounts due as determined in conformity with the Social Security Act. Amounts collected are distributed and deposited in conformity with state law and the standards prescribed in the Social Security Act.

The **County Medicaid Administrative Funds** are billed by the State on behalf of local governments, and represent eligible administrative costs paid at the county level. Amounts collected are distributed to county boards of health.

The **Detainees' Accounts** are held for the detainees of statewide probation offices, correctional institutions, diversion centers, detention centers, transitional centers and boot camps for the purpose of paying court-ordered fines, fees and restitutions and for operating recreational activities for detainees.

The **Flexible Benefits Program** accounts for participant payroll deductions for benefits and spending accounts; disbursements are made to insurance companies for premiums and to participants for spending account reimbursements.

The **Railroad Car Tax** fund is used to collect railroad car taxes on behalf of county governments and to remit the taxes back to the counties.

The **Real Estate Transfer Tax** fund is used to collect real estate transfer taxes on behalf of county governments and to remit the taxes back to the counties.

Sales Tax Collections for Local Governments consist of the **Education Local Option Sales Tax, Homestead Option Sales Tax, Local Option Sales Tax, MARTA Sales Tax,** and **Special Purpose Local Option Sales Tax**. These funds are used to account for the collection and disbursement of local option sales taxes on behalf of county and municipal governments.

The **Telecommunications Relay Service Fund** was established to provide telecommunication services to hearing/speech impaired Georgians. All local exchange telephone companies in the State impose a monthly maintenance surcharge on residential and business local exchange access facilities, which are deposited into this fund solely for the provisions of the Dual Party Relay System.

The **Universal Service Fund** was established for the purpose of assisting low-income customers in times of emergency by providing energy conservation assistance to such customers; and to provide contributions in aid of construction to permit the electing distribution company to extend and expand its facilities from time to time as the commission deems to be in the public interest. Funding comes from rate refunds from interstate pipeline suppliers, funds deposited by marketers, and various other refunds, surcharges and earnings.

Combining Statement of Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
June 30, 2011
(dollars in thousands)

	Defined Benefit Pension Plans (see combining)	Defined Contribution Plans: Georgia Defined Contribution Plan	Deferred Compensation Plans: 401 (K) Plan	Deferred Compensation Plans: 457 Plan
Assets				
Cash and Cash Equivalents	$ 325,694	$ 55,415	$ 23	$ 114
Receivables				
Interest and Dividends	217,492	168	-	-
Due from Brokers for Securities Sold	36,302	-	-	-
Other	150,365	664	1,649	579
Due from Other Funds	-	-	-	-
Investments				
Pooled Investments	13,451,275	23	-	48
Mutual Funds	444,566	-	438,843	552,867
Repurchase Agreements	1,561,593	-	-	-
Municipal, U. S. and Foreign Government Obligations	9,764,890	34,632	-	-
Corporate Bonds/Notes/Debentures	4,944,139	14,123	-	-
Stocks	37,952,599	-	-	-
Asset-Backed Securities	23,532	-	-	-
Mortgage Investments	62,673	-	-	-
Real Estate Investment Trusts	25,858	-	-	-
Capital Assets				
Land	2,071	-	-	-
Buildings	7,695	-	-	-
Software	29,325	-	-	-
Machinery and Equipment	4,842	-	-	-
Accumulated Depreciation	(33,525)	-	-	-
Other Assets	784	-	-	-
Total Assets	68,972,170	105,025	440,515	553,608
Liabilities				
Accounts Payable and Other Accruals	32,782	616	1,011	472
Due to Other Funds	1,364	-	-	-
Due to Brokers for Securities Purchased	129,654	-	-	-
Benefits Payable	-	-	-	-
Notes Payable	26	-	-	-
Unearned Revenue	6	-	-	-
Compensated Absences Payable	56	-	-	-
Total Liabilities	163,888	616	1,011	472
Net Assets				
Held in Trust for:				
Pension Benefits	68,808,282	104,409	439,504	553,136
Other Postemployment Benefits	-	-	-	-
Other Employee Benefits	-	-	-	-
Total Net Assets	$ 68,808,282	$ 104,409	$ 439,504	$ 553,136

Other Employee Benefits					
Other Postemployment Benefits					
Board of Regents Retiree Health Benefit Fund	Georgia State Employees Postemployment Health Benefit Fund	Georgia School Personnel Postemployment Health Benefit Fund	State Employees' Assurance Department - OPEB	State Employees' Assurance Department	Total
$ 3,535	$ 12,788	$ 14,076	$ 66	$ 4	$ 411,715
-	-	-	-	-	217,660
-	-	-	-	-	36,302
4,234	4,748	9,101	-	-	171,340
-	805	11,852	1,208	143	14,008
-	-	-	806,619	184,636	14,442,601
-	-	-	-	-	1,436,276
-	-	-	-	-	1,561,593
-	-	-	-	-	9,799,522
-	-	-	-	-	4,958,262
-	-	-	-	-	37,952,599
-	-	-	-	-	23,532
-	-	-	-	-	62,673
-	-	-	-	-	25,858
-	-	-	-	-	2,071
-	-	-	-	-	7,695
-	-	-	-	-	29,325
-	-	-	-	-	4,842
-	-	-	-	-	(33,525)
-	-	-	-	-	784
7,769	18,341	35,029	807,893	184,783	71,125,133
106	81	153	-	-	35,221
-	-	-	-	-	1,364
-	-	-	-	-	129,654
7,540	15,132	28,454	-	-	51,126
-	-	-	-	-	26
-	3,128	6,422	-	-	9,556
-	-	-	-	-	56
7,646	18,341	35,029	-	-	227,003
-	-	-	-	-	69,905,331
123	-	-	807,893	-	808,016
-	-	-	-	184,783	184,783
$ 123	$ -	$ -	$ 807,893	$ 184,783	$ 70,898,130

Combining Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	Defined Benefit Pension Plans (see combining)	Defined Contribution Plans: Georgia Defined Contribution Plan	Deferred Compensation Plans: 401 (K) Plan	Deferred Compensation Plans: 457 Plan
Additions:				
Contributions				
Employer	$ 1,360,101	$ -	$ 25,442	$ -
Plan Members	656,623	17,656	38,006	20,108
Other Contributions				
Fines and Bond Forfeitures	20,033	-	-	-
Insurance Company Premium Taxes	25,966	-	-	-
Insurance Premiums	-	-	-	-
Other Fees	4,998	-	-	-
Interest and Other Investment Income				
Dividends and Interest	1,587,401	829	809	1,021
Net Appreciation (Depreciation) in Investments Reported at Fair Value	10,738,715	(1)	59,872	71,089
Less: Investment Expense	(38,805)	(53)	(1,100)	(1,147)
Other				
Transfers from Other Funds	2,059	-	-	-
Miscellaneous	419	-	446	339
Total Additions	14,357,510	18,431	123,475	91,410
Deductions:				
General and Administrative Expenses	40,233	1,180	2,054	1,064
Benefits	4,348,627	9	42,457	44,773
Refunds	76,907	11,390	-	-
Total Deductions	4,465,767	12,579	44,511	45,837
Change in Net Assets Held in Trust for Pension and Other Employee Benefits	9,891,743	5,852	78,964	45,573
Net Assets, July 1	58,916,539	98,557	360,540	507,563
Net Assets, June 30	$ 68,808,282	$ 104,409	$ 439,504	$ 553,136

Other Employee Benefits					
Other Postemployment Benefits					
Board of Regents Retiree Health Benefit Fund	Georgia State Employees Postemployment Health Benefit Fund	Georgia School Personnel Postemployment Health Benefit Fund	State Employees' Assurance Department - OPEB	State Employees' Assurance Department	Total
$ 80,262	$ 168,384	$ 339,221	$ -	$ -	$ 1,973,410
25,771	33,954	70,646	-	-	862,764
-	-	-	-	-	20,033
-	-	-	-	-	25,966
-	-	-	6,437	847	7,284
-	-	-	-	-	4,998
386	2	2	18,555	4,247	1,613,252
-	-	-	126,062	28,855	11,024,592
-	-	-	(347)	(79)	(41,531)
-	-	-	-	-	2,059
13,593	-	-	-	-	14,797
120,012	202,340	409,869	150,707	33,870	15,507,624
11,202	6,208	11,683	203	22	73,849
108,809	196,318	398,244	23,060	5,197	5,167,494
-	-	-	-	-	88,297
120,011	202,526	409,927	23,263	5,219	5,329,640
1	(186)	(58)	127,444	28,651	10,177,984
122	186	58	680,449	156,132	60,720,146
$ 123	$ -	$ -	$ 807,893	$ 184,783	$ 70,898,130

Combining Statement of Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
Defined Benefit Pension Plans
June 30, 2011
(dollars in thousands)

	District Attorneys Retirement Fund	Employees' Retirement System	Firefighters' Pension Fund	Georgia Judicial Retirement System	Georgia Military Pension Fund	Judges of the Probate Courts Retirement Fund
Assets						
Cash and Cash Equivalents	$ 3	$ 9,732	$ 193	$ 346	$ 76	$ 48
Receivables						
Interest and Dividends	-	45,508	1,617	-	-	-
Due from Brokers for Securities Sold	-	6,460	1,689	-	-	136
Other	-	14,682	2	352	-	-
Investments						
Pooled Investments	-	12,293,260	-	321,688	9,000	-
Mutual Funds	-	-	150,372	-	-	3,256
Repurchase Agreements	-	-	-	-	-	-
Municipal, U. S. and Foreign Government Obligations	-	-	37,767	-	-	7,327
Corporate Bonds/Notes/Debentures	-	-	81,878	-	-	6,804
Stocks	-	-	219,414	-	-	42,818
Asset-Backed Securities	-	-	16,834	-	-	1,448
Mortgage Investments	-	-	58,544	-	-	658
Real Estate Investment Trusts	-	-	25,268	-	-	336
Capital Assets						
Land	-	944	85	-	-	-
Buildings	-	2,800	1,535	-	-	-
Software	-	14,345	-	-	-	-
Machinery and Equipment	-	2,034	139	-	-	-
Accumulated Depreciation	-	(15,938)	(301)	-	-	-
Other Assets	-	-	114	-	-	-
Total Assets	3	12,373,827	595,150	322,386	9,076	62,831
Liabilities						
Accounts Payable and Other Accruals	1	21,794	1,657	985	249	-
Due to Other Funds	-	1,033	-	321	-	-
Due to Brokers for Securities Purchased	-	15,590	13,800	-	-	986
Notes Payable	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-
Compensated Absences Payable	-	-	44	-	-	-
Total Liabilities	1	38,417	15,501	1,306	249	986
Net Assets						
Held in Trust for Pension Benefits	$ 2	$ 12,335,410	$ 579,649	$ 321,080	$ 8,827	$ 61,845

Legislative Retirement System	Magistrates Retirement Fund	Peace Officers' Annuity and Benefit Fund	Public School Employees Retirement System	Sheriffs' Retirement Fund	Superior Court Clerks' Retirement Fund	Superior Court Judges Retirement Fund	Teachers Retirement System	Total
$ 116	$ 22	$ 1,113	$ 107	$ 109	$ 12,499	$ 125	$ 301,205	$ 325,694
-	23	110	-	284	329	-	169,621	217,492
-	-	2,855	-	-	-	-	25,162	36,302
-	148	-	2	-	301	-	134,878	150,365
28,417	-	86,343	697,015	4,615	10,936	-	1	13,451,275
-	6,813	268,926	-	15,199	-	-	-	444,566
-	-	-	-	-	-	-	1,561,593	1,561,593
-	799	79,464	-	8,518	45,307	-	9,585,708	9,764,890
-	1,307	39,466	-	13,472	-	-	4,801,212	4,944,139
-	-	67,981	-	32,590	22,198	-	37,567,598	37,952,599
-	-	5,250	-	-	-	-	-	23,532
-	-	3,471	-	-	-	-	-	62,673
-	-	254	-	-	-	-	-	25,858
-	-	98	-	-	-	-	944	2,071
-	-	560	-	-	-	-	2,800	7,695
-	-	-	-	-	-	-	14,980	29,325
-	-	155	-	-	-	-	2,514	4,842
-	-	(183)	-	-	-	-	(17,103)	(33,525)
-	-	-	-	-	-	-	670	784
28,533	9,112	555,863	697,124	74,787	91,570	125	54,151,783	68,972,170
47	-	-	1,028	3	43	34	6,941	32,782
3	-	-	-	-	-	-	7	1,364
-	-	29,481	-	-	9,140	-	60,657	129,654
-	-	26	-	-	-	-	-	26
-	-	-	-	-	6	-	-	6
-	-	-	-	12	-	-	-	56
50	-	29,507	1,028	15	9,189	34	67,605	163,888
$ 28,483	$ 9,112	$ 526,356	$ 696,096	$ 74,772	$ 82,381	$ 91	$ 54,084,178	$ 68,808,282

Combining Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
Defined Benefit Pension Plans
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	District Attorneys Retirement Fund	Employees' Retirement System	Firefighters' Pension Fund	Georgia Judicial Retirement System	Georgia Military Pension Fund	Judges of the Probate Courts Retirement Fund
Additions:						
Contributions						
Employer	$ 80	$ 261,132	$ -	$ 1,163	$ -	$ -
Plan Members	-	39,480	2,537	4,721	-	152
Other Contributions						
Fines and Bond Forfeitures	-	-	-	-	-	442
Insurance Company Premium Taxes	-	-	25,966	-	-	-
Other Fees	-	-	-	-	-	705
Interest and Other Investment Income						
Dividends and Interest	-	292,014	14,905	7,374	189	1,549
Net Appreciation (Depreciation) in						
Investments Reported at Fair Value	-	1,983,910	93,121	50,094	1,280	10,026
Less: Investment Expense	-	(6,654)	(3,323)	(138)	(4)	(435)
Other						
Transfers from Other Funds	-	-	-	-	1,282	-
Miscellaneous	1	-	211	-	-	-
Total Additions	81	2,569,882	133,417	63,214	2,747	12,439
Deductions:						
General and Administrative Expenses	1	14,431	1,251	290	37	57
Benefits	80	1,168,822	32,603	13,011	579	3,035
Refunds	-	7,515	528	260	-	-
Total Deductions	81	1,190,768	34,382	13,561	616	3,092
Change in Net Assets Held in Trust for Pension Benefits	-	1,379,114	99,035	49,653	2,131	9,347
Net Assets, July 1	2	10,956,296	480,614	271,427	6,696	52,498
Net Assets, June 30	$ 2	$ 12,335,410	$ 579,649	$ 321,080	$ 8,827	$ 61,845

Legislative Retirement System	Magistrates Retirement Fund	Peace Officers' Annuity and Benefit Fund	Public School Employees Retirement System	Sheriffs' Retirement Fund	Superior Court Clerks' Retirement Fund	Superior Court Judges Retirement Fund	Teachers Retirement System	Total
$ 75	$ -	$ -	$ 7,509	$ -	$ -	$ 1,080	$ 1,089,062	$ 1,360,101
320	142	3,504	1,451	77	113	-	604,126	656,623
-	-	16,185	-	2,498	908	-	-	20,033
-	-	-	-	-	-	-	-	25,966
-	1,739	-	-	-	2,554	-	-	4,998
668	167	12,856	16,475	1,919	2,243	16	1,237,026	1,587,401
4,538	946	81,441	111,929	10,336	7,778	112	8,383,204	10,738,715
(12)	(36)	(2,112)	(308)	(292)	(255)	-	(25,236)	(38,805)
-	-	-	-	-	-	-	777	2,059
-	-	194	-	7	-	6	-	419
5,589	2,958	112,068	137,056	14,545	13,341	1,214	11,288,959	14,357,510
131	77	661	2,046	193	140	6	20,912	40,233
1,761	-	22,527	53,980	4,587	4,286	1,853	3,041,503	4,348,627
60	-	361	267	-	-	-	67,916	76,907
1,952	77	23,549	56,293	4,780	4,426	1,859	3,130,331	4,465,767
3,637	2,881	88,519	80,763	9,765	8,915	(645)	8,158,628	9,891,743
24,846	6,231	437,837	615,333	65,007	73,466	736	45,925,550	58,916,539
$ 28,483	$ 9,112	$ 526,356	$ 696,096	$ 74,772	$ 82,381	$ 91	$ 54,084,178	$ 68,808,282

Combining Statement of Fiduciary Net Assets
Investment Trust Funds
June 30, 2011
(dollars in thousands)

	Georgia Extended Asset Pool	Georgia Fund 1	Regents Investment Pool	Total
Assets				
Cash and Cash Equivalents	$ 45,813	$ 3,235,011	$ -	$ 3,280,824
Investments, at Fair Value				
Pooled Investments	90,490	1,731,425	16,828	1,838,743
Interest Receivable	-	-	36	36
Total Assets	136,303	4,966,436	16,864	5,119,603
Net Assets				
Held in Trust for Pool Participants	$ 136,303	$ 4,966,436	$ 16,864	$ 5,119,603

Combining Statement of Changes in Fiduciary Net Assets
Investment Trust Funds
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	Georgia Extended Asset Pool	Georgia Fund 1	Regents Investment Pool	Total
Additions:				
Pool Participant Deposits	$ 68,200	$ 7,099,535	$ 9,129	$ 7,176,864
Interest and Other Investment Income				
Dividends and Interest	2,467	10,501	420	13,388
Net Appreciation (Depreciation) in Investments				
Reported at Fair Value	(1,795)	-	55	(1,740)
Less: Investment Expense	(56)	(1,475)	(20)	(1,551)
Total Additions	68,816	7,108,561	9,584	7,186,961
Deductions:				
Pool Participant Withdrawals	64,174	6,991,726	2,416	7,058,316
Change in Net Assets Held in Trust for Pool Participants	4,642	116,835	7,168	128,645
Net Assets, July 1	131,661	4,849,601	9,696	4,990,958
Net Assets, June 30	$ 136,303	$ 4,966,436	$ 16,864	$ 5,119,603

Combining Statement of Fiduciary Net Assets
Private Purpose Trust Funds
June 30, 2011
(dollars in thousands)

	Auctioneers Recovery Fund	Real Estate Education, Research and Recovery Fund	Subsequent Injury Trust Fund	Total
Assets				
Cash and Cash Equivalents	$ 369	$ 1,263	$ 4,989	$ 6,621
Investments, at Fair Value				
Pooled Investments	188	766	4,135	5,089
Receivables				
Other	-	-	11	11
Capital Assets				
Buildings	-	-	826	826
Machinery and Equipment	-	-	103	103
Accumulated Depreciation	-	-	(374)	(374)
Total Assets	557	2,029	9,690	12,276
Liabilities				
Accounts Payable and Other Accruals	-	-	1	1
Compensated Absences Payable	-	-	200	200
Other Liabilities	-	-	681	681
Total Liabilities	-	-	882	882
Net Assets				
Held in Trust for Other Purposes	$ 557	$ 2,029	$ 8,808	$ 11,394

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	Auctioneers Recovery Fund	Real Estate Education, Research and Recovery Fund	Subsequent Injury Trust Fund	Total
Additions:				
Contributions/Assessments				
Participants	$ 17	$ 75	$ 104,488	$ 104,580
Interest and Other Investment Income				
Dividends and Interest	1	4	131	136
Total Additions	18	79	104,619	104,716
Deductions:				
General and Administrative Expenses	-	326	2,417	2,743
Benefits	-	-	135,160	135,160
Total Deductions	-	326	137,577	137,903
Change in Net Assets Held in Trust for Other Purposes	18	(247)	(32,958)	(33,187)
Net Assets, July 1	539	2,276	41,766	44,581
Net Assets, June 30	$ 557	$ 2,029	$ 8,808	$ 11,394

Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011
(dollars in thousands)

	Child Support Recovery Program	County Medicaid Administrative Funds	Detainees' Accounts	Flexible Benefits Program	Railroad Car Tax	Real Estate Transfer Tax
Assets						
Cash and Cash Equivalents	$ 2,300	$ (380)	$ 24,474	$ 7,444	$ 486	$ 1,810
Accounts Receivable	-	-	-	40	-	-
Investments, at Fair Value						
Certificates of Deposit	-	-	-	-	-	-
Pooled Investments	-	-	-	2,069	356	-
Mutual Funds	-	-	-	-	-	-
Corporate Bonds, Notes, and Debentures	-	-	-	-	-	-
Municipal, U. S. and Foreign Government Obligations	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-
Total Assets	$ 2,300	$ (380)	$ 24,474	$ 9,553	$ 842	$ 1,810
Liabilities						
Accounts Payable and Other Accruals	$ -	$ 17	$ -	$ 36	$ -	$ -
Funds Held for Others	2,300	(397)	24,474	9,517	842	1,810
Other Liabilities	-	-	-	-	-	-
Total Liabilities	$ 2,300	$ (380)	$ 24,474	$ 9,553	$ 842	$ 1,810

Sales Tax Collections for Local Governments								
Education Local Option	Homestead Option	Local Option	MARTA	Special Purpose Local Option	Telecom-munications Relay Service Fund	Universal Service Fund	Miscellaneous	Total
$ 1,530	$ 112	$ 1,183	$ 320	$ 1,084	$ 10,837	$ -	$ 71,785	$ 122,985
-	-	-	-	-	-	-	624	664
-	-	-	-	-	-	-	2,769	2,769
819	60	700	173	580	5,746	-	5,242	15,745
-	-	-	-	-	-	704	-	704
-	-	-	-	-	-	4,896	-	4,896
-	-	-	-	-	-	46,641	-	46,641
-	-	-	-	-	-	-	41,117	41,117
$ 2,349	$ 172	$ 1,883	$ 493	$ 1,664	$ 16,583	$ 52,241	$ 121,537	$ 235,521
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 237	$ 290
2,349	172	1,883	493	1,664	16,583	52,241	121,155	235,086
-	-	-	-	-	-	-	145	145
$ 2,349	$ 172	$ 1,883	$ 493	$ 1,664	$ 16,583	$ 52,241	$ 121,537	$ 235,521

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Child Support Recovery Program				
Assets				
Cash and Cash Equivalents	$ (1,069)	$ 751,936	$ 748,567	$ 2,300
Liabilities				
Funds Held for Others	$ (1,069)	$ 751,936	$ 748,567	$ 2,300
County Medicaid Administrative Funds				
Assets				
Cash and Cash Equivalents	$ (380)	$ -	$ -	$ (380)
Liabilities				
Accounts Payable and Other Accruals	$ 84	$ -	$ 67	$ 17
Funds Held for Others	(464)	67	-	(397)
Total Liabilities	$ (380)	$ 67	$ 67	$ (380)
Detainees' Accounts				
Assets				
Cash and Cash Equivalents	$ 23,644	$ 24,474	$ 23,644	$ 24,474
Liabilities				
Funds Held for Others	$ 23,644	$ 24,474	$ 23,644	$ 24,474
Flexible Benefits Program				
Assets				
Cash and Cash Equivalents	$ 12,907	$ 333,280	$ 338,743	$ 7,444
Accounts Receivable	-	40	-	40
Investments	2,966	2,069	2,966	2,069
Total Assets	$ 15,873	$ 335,389	$ 341,709	$ 9,553
Liabilities				
Accounts Payable and Other Accruals	$ 7,060	$ 304,595	$ 311,619	$ 36
Funds Held for Others	8,813	203,229	202,525	9,517
Total Liabilities	$ 15,873	$ 507,824	$ 514,144	$ 9,553
Railroad Car Tax				
Assets				
Cash and Cash Equivalents	$ 422	$ 420	$ 356	$ 486
Investments	420	357	421	356
Total Assets	$ 842	$ 777	$ 777	$ 842
Liabilities				
Funds Held for Others	$ 842	$ -	$ -	$ 842
Real Estate Transfer Tax				
Assets				
Cash and Cash Equivalents	$ 1,810	$ -	$ -	$ 1,810
Liabilities				
Funds Held for Others	$ 1,810	$ -	$ -	$ 1,810

(continued)

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Sales Tax Collections for Local Governments				
Education Local Option Sales Tax				
Assets				
Cash and Cash Equivalents	$ 962	$ 1,564,531	$ 1,563,963	$ 1,530
Investments	674	819	674	819
Total Assets	$ 1,636	$ 1,565,350	$ 1,564,637	$ 2,349
Liabilities				
Funds Held for Others	$ 1,636	$ 1,563,858	$ 1,563,145	$ 2,349
Homestead Option Sales Tax				
Assets				
Cash and Cash Equivalents	$ 73	$ 109,215	$ 109,176	$ 112
Investments	51	60	51	60
Total Assets	$ 124	$ 109,275	$ 109,227	$ 172
Liabilities				
Funds Held for Others	$ 124	$ 109,164	$ 109,116	$ 172
Local Option Sales Tax				
Assets				
Cash and Cash Equivalents	$ 741	$ 1,316,968	$ 1,316,526	$ 1,183
Investments	605	700	605	700
Total Assets	$ 1,346	$ 1,317,668	$ 1,317,131	$ 1,883
Liabilities				
Funds Held for Others	$ 1,346	$ 1,316,362	$ 1,315,825	$ 1,883
MARTA Sales Tax				
Assets				
Cash and Cash Equivalents	$ 230	$ 322,717	$ 322,627	$ 320
Investments	160	173	160	173
Total Assets	$ 390	$ 322,890	$ 322,787	$ 493
Liabilities				
Funds Held for Others	$ 390	$ 322,558	$ 322,455	$ 493
Special Purpose Local Option Sales Tax				
Assets				
Cash and Cash Equivalents	$ 682	$ 1,144,065	$ 1,143,663	$ 1,084
Investments	477	580	477	580
Total Assets	$ 1,159	$ 1,144,645	$ 1,144,140	$ 1,664
Liabilities				
Funds Held for Others	$ 1,159	$ 1,143,588	$ 1,143,083	$ 1,664

(continued)

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Telecommunications Relay Service Fund				
Assets				
Cash and Cash Equivalents	$ 11,156	$ 8,331	$ 8,650	$ 10,837
Investments	7,752	5,745	7,751	5,746
Total Assets	$ 18,908	$ 14,076	$ 16,401	$ 16,583
Liabilities				
Funds Held for Others	$ 18,908	$ 580	$ 2,905	$ 16,583
Universal Service Fund				
Assets				
Cash and Cash Equivalents	$ -	$ 63,437	$ 63,437	$ -
Investments	48,260	52,240	48,259	52,241
Total Assets	$ 48,260	$ 115,677	$ 111,696	$ 52,241
Liabilities				
Funds Held for Others	$ 48,260	$ 15,177	$ 11,196	$ 52,241
Miscellaneous				
Assets				
Cash and Cash Equivalents	$ 48,410	$ 407,828	$ 384,453	$ 71,785
Accounts Receivable	479	902	757	624
Investments	9,279	5,720	6,988	8,011
Other Assets	39,648	41,116	39,647	41,117
Total Assets	$ 97,816	$ 455,566	$ 431,845	$ 121,537
Liabilities				
Accounts Payable and Other Accruals	$ 842	$ 20,909	$ 21,514	$ 237
Funds Held for Others	96,923	432,140	407,908	121,155
Other Liabilities	51	105	11	145
Total Liabilities	$ 97,816	$ 453,154	$ 429,433	$ 121,537
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and Cash Equivalents	$ 99,588	$ 6,047,202	$ 6,023,805	$ 122,985
Accounts Receivable	479	942	757	664
Investments	70,644	68,463	68,352	70,755
Other Assets	39,648	41,116	39,647	41,117
Total Assets	$ 210,359	$ 6,157,723	$ 6,132,561	$ 235,521
Liabilities				
Accounts Payable and Other Accruals	$ 7,986	$ 325,504	$ 333,200	$ 290
Funds Held for Others	202,322	5,883,133	5,850,369	235,086
Other Liabilities	51	105	11	145
Total Liabilities	$ 210,359	$ 6,208,742	$ 6,183,580	$ 235,521

NONMAJOR COMPONENT UNITS

Component units are legally separate organizations for which the primary government is considered to be financially accountable. Nonmajor component units are described below:

Economic Development Organizations

The Economic Development organizations cultivate business for the State. These organizations are described below:

The **Geo. L. Smith II Georgia World Congress Center Authority** is a body corporate and politic and an instrumentality and public corporation of the State. The Authority is responsible for acquiring, constructing, equipping, maintaining and operating the World Congress Center to promote trade shows, conventions and political, musical, educational, entertainment, recreational, athletic or other events. The Governor appoints the fifteen members of the Board.

The **Georgia Development Authority** is a body corporate and politic. The Authority was created to assist agricultural and industrial interests by providing credit and servicing functions to better enable farmers and businessmen to obtain needed capital funds. The Board consists of three State officials designated by statute and four members appointed by the Governor.

The **Georgia International and Maritime Trade Center Authority** is a body corporate and politic. The Authority was created to develop and promote the growth of the State's import and export markets through its ports and other transportation modes. State officials appoint eight of the twelve members of the Board.

The **Georgia Medical Center Authority** is a body corporate and politic. The general nature of the business of the Authority is the provision of life sciences industry research and development and manufacturing facilities and programs based in the State of Georgia, the commercialization of biomedical and biotechnical research results, the promotion of closer ties between academic institutions of the state and the biomedical industry, the facilitation of the development of a life sciences industrial cluster in the State of Georgia, and the advancement of local and state economic growth. The seven Authority members are appointed by State officials.

The **Georgia Ports Authority** is a body corporate and politic. The purpose of the Authority is to develop and improve the harbors or seaports of the State for the handling of waterborne commerce and to acquire, construct, equip, maintain, develop and improve said harbors, seaports and their facilities. The Board consists of twelve members, all of which are appointed by the Governor.

The **Georgia Seed Development Commission** is a body corporate and politic and an instrumentality and public corporation of the State whose purpose is to purchase, process, and resell breeders' and foundation seeds. The Commission consists of ten members who are accountable as trustees. Of the ten members serving on the Board, six members are State officials or are appointed by State officials.

The **One Georgia Authority** is a body corporate and politic and an instrumentality and public corporation of the State. The purpose of the Authority is to promote the health, welfare, safety and economic society of the rural citizens of the State through the development and retention of employment opportunities in rural areas and the enhancement of the infrastructures that accomplish that goal. The six members of the Authority are State officials designated by statute.

The **Georgia Foundation for Public Education** is a nonprofit organization established to solicit and accept contributions of money and in-kind contributions of services and property for the purpose of supporting educational excellence in Georgia.

The **Georgia Higher Education Assistance Corporation** is a public authority, body corporate and politic. The Corporation was created to improve the higher educational opportunities of eligible students by guaranteeing educational loan credit to students and to parents of students. The Corporation is governed by the Board of Commissioners of the Georgia Student Finance Commission. The Board consists of four State officials designated by statute and eleven members appointed by the Governor.

The **Georgia Highway Authority** is a body corporate and politic. This Authority was created to build, rebuild, relocate, construct, reconstruct, surface, resurface, layout, grade, repair, improve, widen, straighten, operate, own, maintain, lease and manage roads, bridges and approaches. The three members of the Authority are State officials designated by statute. The Authority has a separate management report, but separate audited financial statements are not required or issued for it.

The **Georgia Public Telecommunications Commission** is a body corporate and politic. This Commission is a public charitable organization created for the purpose of providing educational, instructional and public broadcasting services to citizens of Georgia. The budget of the Commission must be approved by the State. The Board consists of nine members appointed by the Governor. Financial information presented for the Commission includes its component unit, Foundation for Public Broadcasting in Georgia, Inc.

The **Georgia Rail Passenger Authority** is a body corporate and politic. This Authority is responsible for construction, financing, operation and development of rail passenger service and other public transportation projects. The Board includes one member from each congressional district appointed by the Governor, as well as two appointed members from the State at large.

The **Georgia Regional Transportation Authority** is a body corporate and politic. The purpose of the Authority is to manage land transportation and air quality within certain areas of the State. The Governor appoints the fifteen members of the Authority.

The **Georgia Student Finance Authority** is a body corporate and politic. This Authority was created for the purpose of improving higher educational opportunities by providing educational scholarship, grant and loan assistance. A substantial amount of funding is provided to the Authority by the State. State officials comprise four of the fifteen members of the Board, and the Governor appoints the remaining eleven.

The **Higher Education Foundations** are nonprofit organizations established to secure and manage support for various projects including acquisitions and improvements of properties and facilities for units of the University System of Georgia.

The **Regional Educational Service Agencies** are agencies established to provide shared services to improve the effectiveness of educational programs and services of local school systems and to provide direct instructional programs to selected public school students. The State has sixteen of these agencies.

The **Superior Court Clerks' Cooperative Authority** is a body corporate and politic and an instrumentality and public corporation of the State created to provide a cooperative for the development, acquisition and distribution of record management systems, information, services, supplies and materials for superior court clerks of the State. Of the seven members of the Board, the Governor appoints three. The nature of this organization is such that it would be misleading to exclude it from the reporting entity.

Tourism / State Attractions

These organizations promote State interests or encourage visitation to the State through the operation and maintenance of various attractions. Organizations involved in such activities are described below:

The **Georgia Agricultural Exposition Authority** is a body corporate and politic. This Authority is responsible for provision of a facility for the agricultural community, for public events, exhibits and other activities and for promotion and staging of a statewide fair. The Governor appoints the nine Board members.

The **Georgia Agrirama Development Authority** is a body corporate and politic. The purpose of this Authority is to utilize all funds for the purpose of beautifying, improving, developing, maintaining, administering, managing and promoting an agricultural museum in or around Tifton, Georgia; this museum is designated as the State Museum of Agriculture. Of the fifteen members of the Board, four are State officials designated by statute and the Governor appoints eight members.

The **Georgia Music Hall of Fame Authority** is a body corporate and politic whose purpose is to construct, operate and maintain the Music Hall of Fame, as well as to promote music events at the facility and throughout the State. The Governor appoints the sixteen members of the Board.

The **Georgia Sports Hall of Fame Authority** is a body corporate and politic. This Authority was created to construct and maintain a facility to house the Georgia Sports Hall of Fame to honor those who have made outstanding and lasting contributions to sports and athletics, and to operate, advertise and promote the Sports Hall of Fame. State officials appoint the eighteen members of the Board. The Georgia State Financing and Investment Commission must approve the issuance of Authority bonds.

The **Jekyll Island State Park Authority** is a body corporate and politic and an instrumentality and public corporation of the State. The Authority was created to operate and manage resort recreational facilities on Jekyll Island. The Board consists of one State official designated by statute and eight members appointed by the Governor. Financial information presented for the Authority includes its component unit, Jekyll Island Foundation, Inc.

The **Lake Lanier Islands Development Authority** is a body corporate and politic and an instrumentality and public corporation of the State. The purpose of the Authority is to manage, preserve and protect projects on Lake Lanier Islands. The Board consists of one State official designated by statute and eight members appointed by the Governor.

The **North Georgia Mountains Authority** is a body corporate and politic and an instrumentality and public corporation of the State responsible for the construction and management of recreation, accommodation and tourist facilities and services. The Governor appoints the nine members of the Board.

The **Oconee River Greenway Authority** is a body corporate and politic and an instrumentality and public corporation of the State responsible for community land conservation, protection and restoration along the Oconee River corridor. Such projects add both to the quality of life and to economic development in Central Georgia. The Georgia State Financing and Investment Commission must approve the issuance of Authority bonds.

The **Sapelo Island Heritage Authority** is a body corporate and politic. The purpose of the authority is the preservation of the cultural and historic values of Hog Hammock Community located on Greater Sapelo Island. The Board consists of four State officials designated by statute and one member appointed by the Governor. The State has assumed the obligation to provide financial support for real property acquisition.

The **Southwest Georgia Railroad Excursion Authority** is a body corporate and politic and an instrumentality and public corporation of the State. The Authority was created for the purposes of construction, financing, operation and development of rail passenger excursion projects utilizing any State-owned railway in southwest Georgia. The thirteen member Board is appointed by officials of counties and municipalities within the service area. The Georgia State Financing and Investment Commission must approve the issuance of bonds.

The **Stone Mountain Memorial Association** is a body corporate and politic and an instrumentality and public corporation of the State. The Authority is responsible for the preservation and protection of Stone Mountain as a Confederate memorial and public recreational area. The Board consists of one State official designated by statute and eight members appointed by the Governor.

Combining Statement of Net Assets
Nonmajor Component Units
June 30, 2011
(dollars in thousands)

	Economic Development Organizations (see combining)	Georgia Foundation for Public Education	Georgia Higher Education Assistance Corporation	Georgia Highway Authority	Georgia Public Telecommunications Commission	Georgia Rail Passenger Authority
Assets						
Current Assets:						
Cash and Cash Equivalents	$ 193,006	$ 3	$ 14,168	$ 302	$ 4,514	$ 96
Investments	61,341	-	-	160	6,757	51
Receivables						
Accounts (Net)	52,895	-	-	-	356	-
Taxes	464	-	-	-	-	-
Interest and Dividends	1,796	-	-	-	-	-
Notes and Loans (Net)	106,983	-	-	-	-	-
Due from Primary Government	-	-	-	-	-	-
Due from Component Units	-	-	-	-	-	-
Intergovernmental Receivables	3,708	-	702	-	-	-
Other Current Assets	7,794	-	-	-	20	-
Noncurrent Assets:						
Investments	16,816	-	-	1	-	-
Receivables (Net)						
Notes and Loans	2,757	-	-	-	-	-
Other	-	-	-	-	-	-
Due from Component Units	-	-	-	-	-	-
Restricted Assets						
Cash and Cash Equivalents	6,610	-	-	-	-	-
Investments	37,302	-	-	-	-	-
Receivables						
Other	69	-	-	-	-	-
Non-depreciable capital assets	290,456	-	-	-	1,279	-
Depreciable capital assets, net	714,311	-	-	-	23,233	-
Deferred Capital Outflow	-	-	-	-	-	-
Other Noncurrent Assets	8,752	-	-	-	-	-
Total Assets	1,505,060	3	14,870	463	36,159	147

Georgia Regional Transportation Authority	Georgia Student Finance Authority	Higher Education Foundations	Regional Educational Service Agencies	Superior Court Clerks' Cooperative Authority	Tourism / State Attractions (see combining)	Total
$ 11,642	$ 34,830	$ 335,333	$ 23,018	$ 3,907	$ 15,321	$ 636,140
5,874	-	108,040	1,558	-	1,573	185,354
1,273	-	231,937	2,526	837	2,151	291,975
-	-	-	-	-		464
-	659	-	-	-		2,455
-	154,530	-	-	-		261,513
-	715	3,100	-	-		3,815
-	349	545	-	-		894
2,925	-	-	7,452	-	-	14,787
337	451	93,879	3,219	167	1,715	107,582
43	-	1,164,810	-	-	2,786	1,184,456
-	-	-	-	-	-	2,757
-	-	1,857,564	-	-	-	1,857,564
-	-	102,321	-	-	-	102,321
-	-	196,763	-	12,157	-	215,530
-	-	-	-	-	-	37,302
-	-	-	-	-	-	69
-	438	220,764	229	-	49,069	562,235
32,852	1,299	652,744	3,574	1,095	198,296	1,627,404
-	-	18,642	-	-	-	18,642
-	-	118,894	-	-	-	127,646
54,946	193,271	5,105,336	41,576	18,163	270,911	7,240,905

(continued)

Combining Statement of Net Assets
Nonmajor Component Units
June 30, 2011
(dollars in thousands)

	Economic Development Organizations (see combining)	Georgia Foundation for Public Education	Georgia Higher Education Assistance Corporation	Georgia Highway Authority	Georgia Public Telecommunications Commission	Georgia Rail Passenger Authority
Liabilities						
Current Liabilities:						
Accounts Payable and Other Accruals	23,155	-	80	-	264	-
Due to Primary Government	48	-	-	-	-	-
Due to Component Units	-	-	349	-	-	-
Funds Held for Others	-	-	-	-	-	-
Unearned Revenue	32,092	-	-	-	293	-
Notes and Loans Payable	3,474	-	-	-	-	-
Revenue/Mortgage Bonds Payable	16,560	-	-	-	-	-
Other Current Liabilities	5,867	-	312	-	322	-
Current Liabilities Payable from Restricted Assets:						
Accrued Interest Payable	3,418	-	-	-	-	-
Revenue Bonds Payable	9,210	-	-	-	-	-
Other	-	-	-	-	-	-
Noncurrent Liabilities:						
Unearned Revenue	-	-	-	-	-	-
Notes and Loans Payable	42,272	-	-	-	-	-
Revenue/Mortgage Bonds Payable	131,573	-	-	-	-	-
Derivative Instrument Payable		-	-	-	-	-
Other Noncurrent Liabilities	40,913	-	-	-	771	-
Total Liabilities	308,582	-	741	-	1,650	-
Net Assets						
Invested in Capital Assets, Net of Related Debt	806,567	-	-	-	24,511	-
Restricted for:						
Bond Covenants/Debt Service	33,884	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Permanent Trusts						
Expendable	-	-	-	-	-	-
Nonexpendable	-	-	-	-	-	-
Other Purposes	4,476	3	-	-	-	-
Unrestricted	351,551	-	14,129	463	9,998	147
Total Net Assets	$ 1,196,478	$ 3	$ 14,129	$ 463	$ 34,509	$ 147

Georgia Regional Transportation Authority	Georgia Student Finance Authority	Higher Education Foundations	Regional Educational Service Agencies	Superior Court Clerks' Cooperative Authority	Tourism / State Attractions (see combining)	Total
3,993	8,771	121,193	7,020	3,702	2,095	170,273
32	-	132,537	6	-	4	132,627
-	-	15	-	-	-	364
-	-	3,888	-	-	-	3,888
9,979	547	86,364	775	-	814	130,864
-	-	12,949	-	-	2,830	19,253
-	-	43,387	380	-	340	60,667
347	904	59,446	126	-	493	67,817
-	-	-	-	-	-	3,418
-	-	-	-	-	-	9,210
-	-	-	-	9,313	-	9,313
-	-	183,813	-	-	-	183,813
-	-	337,055	-	-	17,225	396,552
-	-	2,287,160	3,660	-	8,794	2,431,187
-	-	47,677	-	-	-	47,677
1,676	126,957	30,977	1,052	-	789	203,135
16,027	137,179	3,346,461	13,019	13,015	33,384	3,870,058
31,200	1,665	47,838	2,859	1,095	231,700	1,147,435
-	-	-	-	-	-	33,884
-	-	70,012	-	-	4,073	74,085
-	-	352,651	-	-	-	352,651
-	-	595,091	-	-	-	595,091
-	-	-	-	-	34	4,513
7,719	54,427	693,283	25,698	4,053	1,720	1,163,188
$ 38,919	$ 56,092	$ 1,758,875	$ 28,557	$ 5,148	$ 237,527	$ 3,370,847

Combining Statement of Activities
Nonmajor Component Units
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	Economic Development Organizations (see combining)	Georgia Foundation for Public Education	Georgia Higher Education Assistance Corporation	Georgia Highway Authority	Georgia Public Telecommunications Commission	Georgia Rail Passenger Authority
Expenses	$ 374,345	$ -	$ 7,343	$ 1	$ 25,577	$ -
Program Revenues:						
Sales and Charges for Services	349,012	-	7,366	-	5,642	-
Operating Grants and Contributions	1,717	3	173	1	22,311	-
Capital Grants and Contributions	32,154	-	-	-	-	-
Total Program Revenues	382,883	3	7,539	1	27,953	-
Net (Expenses) Revenue	8,538	3	196	-	2,376	-
General Revenues:						
Taxes	24,506	-	-	-	-	-
Payments from the State of Georgia	10,191	-	-	-	-	-
Contributions to Permanent Endowments	-	-	-	-	-	-
Total General Revenues	34,697	-	-	-	-	-
Change in Net Assets	43,235	3	196	-	2,376	-
Net Assets, July 1 (Restated - Note 3)	1,153,243	0	13,933	463	32,133	147
Net Assets, June 30	$ 1,196,478	$ 3	$ 14,129	$ 463	$ 34,509	$ 147

Georgia Regional Transportation Authority	Georgia Student Finance Authority	Higher Education Foundations	Regional Educational Service Agencies	Superior Court Clerks' Cooperative Authority	Tourism / State Attractions (see combining)	Total
$ 42,048	$ 6,461	$ 1,643,429	$ 90,569	$ 14,899	$ 65,708	$ 2,270,380
9,824	6,260	836,389	18,502	14,828	49,382	1,297,205
24,096	89	959,141	70,223	19	1,046	1,078,819
2,780	-	23,327	-	-	9,091	67,352
36,700	6,349	1,818,857	88,725	14,847	59,519	2,443,376
(5,348)	(112)	175,428	(1,844)	(52)	(6,189)	172,996
-	-	-	-	-	1,279	25,785
2,909	-	30,441	-	-	20,540	64,081
-	-	12,481	-	-	-	12,481
2,909	-	42,922	-	-	21,819	102,347
(2,439)	(112)	218,350	(1,844)	(52)	15,630	275,343
41,358	56,204	1,540,525	30,401	5,200	221,897	3,095,504
$ 38,919	$ 56,092	$ 1,758,875	$ 28,557	$ 5,148	$ 237,527	$ 3,370,847

Combining Statement of Net Assets
Nonmajor Component Units
Economic Development Organizations
June 30, 2011
(dollars in thousands)

	Geo. L. Smith II Georgia World Congress Center Authority	Georgia Development Authority	Georgia International and Maritime Trade Center Authority	Georgia Medical Center Authority
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 35,202	$ 31	$ 7,525	$ 208
Investments	205	3	-	-
Receivables				
Accounts (Net)	14,294	-	217	7
Taxes	-	-	464	-
Interest and Dividends	-	1,796	-	-
Notes and Loans (Net)	-	86,937	-	-
Intergovernmental Receivables	-	-	3,708	-
Other Current Assets	306	388	-	-
Noncurrent Assets:				
Investments	1	-	-	-
Receivables (Net)				
Notes and Loans	-	-	-	-
Restricted Assets				
Cash and Cash Equivalents	6,610	-	-	-
Investments	37,302	-	-	-
Receivables	69	-	-	-
Non-depreciable capital assets	37,283	50	2	-
Depreciable capital assets, net	106,700	483	1,248	101
Other Noncurrent Assets	-	-	-	-
Total Assets	237,972	89,688	13,164	316

Georgia Ports Authority	Georgia Seed Development Commission	OneGeorgia Authority	Total
$ 74,527	$ 4,084	$ 71,429	$ 193,006
23,379	-	37,754	61,341
37,277	1,100	-	52,895
-	-	-	464
-	-	-	1,796
394	-	19,652	106,983
-	-	-	3,708
6,899	201	-	7,794
16,540	-	275	16,816
2,757	-	-	2,757
-	-	-	6,610
-	-	-	37,302
-	-	-	69
252,914	207	-	290,456
583,472	2,487	19,820	714,311
8,752	-	-	8,752
1,006,911	8,079	148,930	1,505,060

(continued)

Combining Statement of Net Assets
Nonmajor Component Units
Economic Development Organizations
June 30, 2011
(dollars in thousands)

	Geo. L. Smith II Georgia World Congress Center Authority	Georgia Development Authority	Georgia International and Maritime Trade Center Authority	Georgia Medical Center Authority
Liabilities				
Current Liabilities:				
Accounts Payable and Other Accruals	6,990	621	2,521	13
Due to Primary Government	1	-	-	-
Unearned Revenue	28,005	-	3,374	-
Notes and Loans Payable	-	3,474	-	-
Revenue/Mortgage Bonds Payable	-	-	-	-
Other Current Liabilities	555	3,010	-	-
Current Liabilities Payable from Restricted Assets:				
Accrued Interest Payable	3,418	-	-	-
Revenue Bonds Payable	9,210	-	-	-
Noncurrent Liabilities:				
Notes and Loans Payable	-	1,415	-	-
Revenue/Mortgage Bonds Payable	112,600	-	-	-
Other Noncurrent Liabilities	8,678	26,489	-	-
Total Liabilities	169,457	35,009	5,895	13
Net Assets				
Invested in Capital Assets, Net of Related Debt	22,173	533	1,250	101
Restricted for:				
Bond Covenants/Debt Service	33,884	-	-	-
Other Purposes	61	4,415	-	-
Unrestricted	12,397	49,731	6,019	202
Total Net Assets	$ 68,515	$ 54,679	$ 7,269	$ 303

Georgia Ports Authority	Georgia Seed Development Commission	One Georgia Authority	Total
12,520	410	80	23,155
47	-	-	48
713	-	-	32,092
-	-	-	3,474
16,560	-	-	16,560
2,302	-	-	5,867
-	-	-	3,418
-	-	-	9,210
40,857	-	-	42,272
18,973	-	-	131,573
5,746	-	-	40,913
97,718	410	80	308,582
759,996	2,694	19,820	806,567
-	-	-	33,884
-	-	-	4,476
149,197	4,975	129,030	351,551
$ 909,193	$ 7,669	$ 148,850	$ 1,196,478

Combining Statement of Activities
Nonmajor Component Units
Economic Development Organizations
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	Geo. L. Smith II Georgia World Congress Center Authority	Georgia Development Authority	Georgia International and Maritime Trade Center Authority	Georgia Medical Center Authority
Expenses	$ 92,598	$ 1,267	$ 7,921	$ 447
Program Revenues:				
Sales and Charges for Services	75,031	3,001	750	244
Operating Grants and Contributions	136	1	31	-
Capital Grants and Contributions	-	-	4,550	-
Total Program Revenues	75,167	3,002	5,331	244
Net (Expenses) Revenue	(17,431)	1,735	(2,590)	(203)
General Revenues:				
Taxes	22,094	-	2,412	-
Payments from the State of Georgia	-	-	-	191
Total General Revenues	22,094	-	2,412	191
Change in Net Assets	4,663	1,735	(178)	(12)
Net Assets, July 1	63,852	52,944	7,447	315
Net Assets, June 30	$ 68,515	$ 54,679	$ 7,269	$ 303

Georgia Ports Authority	Georgia Seed Development Commission	OneGeorgia Authority	Total
$ 237,599	$ 4,168	$ 30,345	$ 374,345
266,514	3,438	34	349,012
1,048	9	492	1,717
7,251	2,547	17,806	32,154
274,813	5,994	18,332	382,883
37,214	1,826	(12,013)	8,538
-	-	-	24,506
-	-	10,000	10,191
-	-	10,000	34,697
37,214	1,826	(2,013)	43,235
871,979	5,843	150,863	1,153,243
$ 909,193	$ 7,669	$ 148,850	$ 1,196,478

Combining Statement of Net Assets
Nonmajor Component Units
Tourism/State Attractions
June 30, 2011
(dollars in thousands)

	Georgia Agricultural Exposition Authority	Georgia Agrirama Development Authority	Georgia Music Hall of Fame Authority	Georgia Sports Hall of Fame Authority	Jekyll Island State Park Authority
Assets					
Current Assets:					
Cash and Cash Equivalents	$ 1,071	$ -	$ 34	$ 122	$ 3,869
Investments	-	-	-	-	130
Receivables					
Accounts (Net)	109	-	4	-	1,753
Other Current Assets	-	-	50	33	384
Noncurrent Assets:					
Investments	-	-	-	-	1
Restricted Assets					
Non-depreciable capital assets	4,890	-	340	-	22,625
Depreciable capital assets, net	34,931	-	65	4	45,090
Total Assets	41,001	-	493	159	73,852
Liabilities					
Current Liabilities:					
Accounts Payable and Other Accruals	169	-	-	1	743
Due to Primary Government	-	-	-	-	4
Unearned Revenue	232	-	-	-	582
Notes and Loans Payable	-	-	-	-	540
Revenue/Mortgage Bonds Payable	-	-	-	-	-
Other Current Liabilities	-	-	-	-	265
Noncurrent Liabilities:					
Notes and Loans Payable	-	-	-	-	1,030
Revenue/Mortgage Bonds Payable	-	-	-	-	-
Other Noncurrent Liabilities	271	-	-	18	469
Total Liabilities	672	-	-	19	3,633
Net Assets					
Invested in Capital Assets, Net of Related Debt	39,821	-	405	4	66,146
Restricted for:					
Capital Projects	-	-	-	-	4,073
Other Purpose	-	-	-	34	-
Unrestricted	508	-	88	102	-
Total Net Assets	$ 40,329	$ -	$ 493	$ 140	$ 70,219

Lake Lanier Islands Development Authority	North Georgia Mountains Authority	Oconee River Greenway Authority	Sapelo Island Heritage Authority	Southwest Georgia Railroad Excursion Authority	Stone Mountain Memorial Association	Total
$ 6,560	$ 360	$ 107	$ 2	$ 502	$ 2,694	$ 15,321
-	327	-	-	-	1,116	1,573
-	35	4	-	-	246	2,151
-	-	-	-	-	1,248	1,715
-	2	-	-	-	2,783	2,786
-	2,526	508	4,923	-	13,257	49,069
33,139	7,044	1,011	-	259	76,753	198,296
39,699	10,294	1,630	4,925	761	98,097	270,911
332	119	-	-	224	507	2,095
-	-	-	-	-	-	4
-	-	-	-	-	-	814
637	1,653	-	-	-	-	2,830
340	-	-	-	-	-	340
-	-	-	-	-	228	493
12,888	3,307	-	-	-	-	17,225
8,794	-	-	-	-	-	8,794
31	-	-	-	-	-	789
23,022	5,079	-	-	224	735	33,384
24,004	4,610	1,519	4,923	259	90,009	231,700
-	-	-	-	-	-	4,073
-	-	-	-	-	-	34
(7,327)	605	111	2	278	7,353	1,720
$ 16,677	$ 5,215	$ 1,630	$ 4,925	$ 537	$ 97,362	$ 237,527

Combining Statement of Activities
Nonmajor Component Units
Tourism/State Attractions
For the Fiscal Year Ended June 30, 2011
(dollars in thousands)

	Georgia Agricultural Exposition Authority	Georgia Agrirama Development Authority	Georgia Music Hall of Fame Authority	Georgia Sports Hall of Fame Authority	Jekyll Island State Park Authority
Expenses	$ 9,684	$ 5,503	$ 1,232	$ 806	$ 22,093
Program Revenues:					
Sales and Charges for Services	7,267	-	497	170	15,324
Operating Grants and Contributions	3	-	60	234	574
Capital Grants and Contributions	7,715	-	-	-	1,226
Total Program Revenues	14,985	-	557	404	17,124
Net (Expenses) Revenue	5,301	(5,503)	(675)	(402)	(4,969)
General Revenues:					
Taxes	-	-	-	-	1,279
Payments from the State of Georgia	1,081	-	371	300	18,788
Total General Revenues	1,081	-	371	300	20,067
Change in Net Assets	6,382	(5,503)	(304)	(102)	15,098
Net Assets, July 1	33,947	5,503	797	242	55,121
Net Assets, June 30	$ 40,329	$ -	$ 493	$ 140	$ 70,219

Lake Lanier Islands Development Authority	North Georgia Mountains Authority	Oconee River Greenway Authority	Sapelo Island Heritage Authority	Southwest Georgia Railroad Excursion Authority	Stone Mountain Memorial Association	Total
$ 3,753	$ 10,783	$ 91	$ 198	$ 712	$ 10,853	$ 65,708
3,746	11,537	-	-	609	10,232	49,382
5	6	57	-	1	106	1,046
-	-	150	-	-	-	9,091
3,751	11,543	207	-	610	10,338	59,519
(2)	760	116	(198)	(102)	(515)	(6,189)
-	-	-	-	-	-	1,279
-	-	-	-	-	-	20,540
-	-	-	-	-	-	21,819
(2)	760	116	(198)	(102)	(515)	15,630
16,679	4,455	1,514	5,123	639	97,877	221,897
$ 16,677	$ 5,215	$ 1,630	$ 4,925	$ 537	$ 97,362	$ 237,527

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Statistical Section

This part of the *Comprehensive Annual Financial Report* presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the State's overall financial health.

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Financial Trends Information

These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

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Sources: Unless otherwise noted, the information in these schedules is derived from the *Comprehensive Annual Financial Reports* for the relevant year. The State implemented GASB Statement 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that year.

Schedule 1
Net Assets by Component
For the Last Nine Fiscal Years
(accrual basis of accounting)
(dollars in thousands)

	2011	2010	2009	2008
Governmental Activities [1] [2]				
Invested in Capital Assets, Net of Related Debt	$ 12,880,313	$ 12,550,617	$ 12,066,578	$ 11,979,690
Restricted	4,031,347	2,605,116	2,254,051	1,641,507
Unrestricted	(2,106,699)	(648,171)	(468,978)	1,383,624
Total Governmental Activities Net Assets	$ 14,804,961	$ 14,507,562	$ 13,851,651	$ 15,004,821
Business-Type Activities [1] [2]				
Invested in Capital Assets, Net of Related Debt	$ 5,952,035	$ 5,426,787	$ 5,178,579	$ 4,801,548
Restricted	489,736	423,325	1,022,564	1,745,185
Unrestricted	(1,069,413)	(546,363)	(152,768)	604,035
Total Business-Type Activities Net Assets	$ 5,372,358	$ 5,303,749	$ 6,048,375	$ 7,150,768
Total Primary Government [2]				
Invested in Capital Assets, Net of Related Debt	$ 18,832,348	$ 17,977,404	$ 17,245,157	$ 16,781,238
Restricted	4,521,083	3,028,441	3,276,615	3,386,692
Unrestricted	(3,176,112)	(1,194,534)	(621,746)	1,987,659
Total Primary Government Net Assets	$ 20,177,319	$ 19,811,311	$ 19,900,026	$ 22,155,589

(1) Beginning in fiscal year 2007, the Georgia Technology Authority is reported as an internal service fund serving primarily governmental organizations and, as such, its activity and balances are included in Governmental Activities (previously reported in Business-Type Activities).

(2) Beginning in fiscal year 2007, the funds of the State Road and Tollway Authority, a component unit, are blended with those of the primary government (previously discretely presented). As such, its activity and balances are included in both Governmental Activities and in Business-Type Activities. Beginning in fiscal year 2009, the Business-Type Activities of the State Road and Tollway Authority (as previously reported in Governmental Activities) are included in nonmajor enterprise funds along with the Higher Education Facilities Authority.

Source: Financial Statements included in Current and Prior Years' *Comprehensive Annual Financial Reports*

Fiscal Year				
2007	2006	2005	2004	2003
$ 10,804,344	$ 11,274,666	$ 10,914,903	$ 10,073,116	$ 10,494,765
2,398,250	2,164,233	2,248,834	2,166,594	1,292,107
2,233,041	994,617	1,332,716	1,381,037	2,885,711
$ 15,435,635	$ 14,433,516	$ 14,496,453	$ 13,620,747	$ 14,672,583
$ 4,582,190	$ 4,387,218	$ 4,214,124	$ 3,849,935	$ 3,517,358
1,877,790	1,767,054	1,599,878	1,269,663	1,313,230
475,506	374,831	366,419	604,687	710,036
$ 6,935,486	$ 6,529,103	$ 6,180,421	$ 5,724,285	$ 5,540,624
$ 15,386,534	$ 15,661,884	$ 15,129,027	$ 13,923,051	$ 14,012,123
4,276,040	3,931,287	3,848,712	3,436,257	2,605,337
2,708,547	1,369,448	1,699,135	1,985,724	3,595,747
$ 22,371,121	$ 20,962,619	$ 20,676,874	$ 19,345,032	$ 20,213,207

Schedule 2
Changes in Net Assets
For the Last Nine Fiscal Years
(accrual basis of accounting)
(dollars in thousands)

	2011	2010	2009	2008
Expenses				
Governmental Activities				
General Government [1]	$ 1,222,954	$ 1,467,147	$ 1,904,893	$ 1,896,438
Education	10,002,351	10,731,693	10,085,766	10,812,665
Health and Welfare	14,745,268	14,210,928	13,118,680	12,256,789
Transportation [2]	1,517,213	1,752,933	1,786,808	3,056,226
Public Safety	1,974,964	1,834,315	1,972,187	2,130,454
Economic Development and Assistance	843,912	808,742	735,415	504,897
Culture and Recreation	233,608	287,860	273,401	251,055
Conservation	59,159	62,059	69,726	69,836
Interest and Other Charges on Long-Term Debt [2]	462,602	446,520	466,077	405,255
Total Governmental Activities	31,062,031	31,602,197	30,412,953	31,383,615
Business-Type Activities				
Georgia Technology Authority [1]	-	-	-	-
Higher Education Fund	7,622,542	7,067,724	6,728,721	6,242,687
State Employees' Health Benefit Plan	2,224,280	2,298,354	2,211,087	2,043,604
Unemployment Compensation Fund	2,954,208	4,011,802	2,435,344	774,030
Nonmajor Enterprise Funds [2]	26,613	26,174	17,835	15,110
Total Business-Type Activities	12,827,643	13,404,054	11,392,987	9,075,431
Total Primary Government Expenses	$ 43,889,674	$ 45,006,251	$ 41,805,940	$ 40,459,046
Program Revenues				
Governmental Activities [1] [2]				
Sales and Charges for Services				
General Government	$ 1,887,736	$ 1,763,847	$ 1,654,486	$ 1,634,855
Health and Welfare	473,934	245,953	367,829	321,172
Public Safety	160,161	135,736	232,579	278,675
Other Sales and Charges for Services	248,385	263,202	225,419	245,978
Operating Grants and Contributions	14,029,675	15,656,694	12,714,639	11,886,083
Capital Grants and Contributions	1,473,052	1,599,721	1,286,969	1,426,839
Total Governmental Activities	18,272,943	19,665,153	16,481,921	15,793,602
Business-Type Activities [1] [2]				
Sales and Charges for Services				
Georgia Technology Authority	-	-	-	-
Higher Education Fund	2,647,604	2,408,042	2,103,284	1,834,826
Unemployment Compensation Fund	-	-	-	-
State Road and Tollway Authority	35,476	34,142	27,669	20,648
Operating Grants and Contributions	7,557,366	7,837,041	5,376,243	4,509,566
Capital Grants and Contributions	106,217	41,634	45,385	111,055
Total Business-Type Activities	10,346,663	10,320,859	7,552,581	6,476,095
Total Primary Government Program Revenues	$ 28,619,606	$ 29,986,012	$ 24,034,502	$ 22,269,697
Net (Expense) Revenue				
Governmental Activities [1] [2]	$ (12,789,088)	$ (11,937,044)	$ (13,931,032)	$ (15,590,013)
Business-Type Activities [1] [2]	(2,480,980)	(3,083,195)	(3,840,406)	(2,599,336)
Total Primary Government	$ (15,270,068)	$ (15,020,239)	$ (17,771,438)	$ (18,189,349)

Fiscal Year

2007	2006	2005	2004	2003
$ 1,830,659	$ 1,562,693	$ 1,354,451	$ 1,900,816	$ 1,411,121
9,948,891	9,030,145	8,376,252	8,007,435	7,942,981
11,764,652	11,238,207	11,847,414	11,370,543	10,299,189
1,705,285	1,624,369	2,316,638	1,844,281	1,096,837
1,891,555	1,715,838	1,781,048	1,712,346	1,779,432
759,979	696,800	702,879	738,425	729,878
286,132	263,813	225,821	237,831	199,873
102,149	60,660	48,791	49,089	57,885
385,449	326,741	318,860	319,034	342,748
28,674,751	26,519,266	26,972,154	26,179,800	23,859,944
-	176,153	193,918	198,937	207,165
5,592,755	5,292,112	5,310,815	4,762,820	4,640,361
1,868,431	2,182,743	2,092,457	1,850,125	1,677,982
626,058	582,171	584,260	877,555	995,169
12,845	-	-	-	-
8,100,089	8,233,179	8,181,450	7,689,437	7,520,677
$ 36,774,840	$ 34,752,445	$ 35,153,604	$ 33,869,237	$ 31,380,621
$ 1,653,554	$ 787,894	$ 267,756	$ 214,580	$ 447,223
504,520	706,876	1,435,224	1,198,094	780,018
334,033	141,432	412,572	395,988	382,390
258,936	284,498	437,569	448,103	225,889
10,041,218	9,393,686	9,213,591	9,457,170	8,674,421
1,213,420	1,032,961	1,014,144	828,453	621,391
14,005,681	12,347,347	12,780,856	12,542,388	11,131,332
-	177,137	204,246	198,869	207,891
1,694,368	1,567,385	1,730,328	1,349,989	1,210,452
223	-	-	530,481	128,546
20,854	-	-	-	-
4,214,533	4,374,153	4,050,853	3,330,386	3,224,705
48,490	45,965	40,029	148,407	29
5,978,468	6,164,640	6,025,456	5,558,132	4,771,623
$ 19,984,149	$ 18,511,987	$ 18,806,312	$ 18,100,520	$ 15,902,955
$ (14,669,070)	$ (14,171,919)	$ (14,191,298)	$ (13,637,412)	$ (12,728,612)
(2,121,621)	(2,068,539)	(2,155,994)	(2,131,305)	(2,749,054)
$ (16,790,691)	$ (16,240,458)	$ (16,347,292)	$ (15,768,717)	$ (15,477,666)

(continued)

Schedule 2
Changes in Net Assets
For the Last Nine Fiscal Years
(accrual basis of accounting)
(dollars in thousands)

	2011	2010	2009	2008
General Revenues and Other Changes in Net Assets				
Governmental Activities [1] [2]				
General Revenues				
Taxes				
Personal Income	$ 7,797,739	$ 7,109,984	$ 7,794,606	$ 8,834,591
Sales - General	5,133,404	5,196,117	5,080,946	5,760,691
Other Taxes	2,330,338	2,334,928	2,370,848	2,694,710
Unrestricted Investment Income	(3,066)	993	63,074	264,448
Unclaimed Property	98,098	85,277	35,356	58,857
Other	30,285	44,183	112,681	247,322
Special Items	288,000	(10,090)	-	-
Transfers	(2,532,118)	(2,269,701)	(2,679,135)	(2,670,418)
Total Governmental Activities	13,142,680	12,491,691	12,778,376	15,190,201
Business-Type Activities [1] [2]				
General Revenues				
Unrestricted Investment Income	-	-	76,060	134,436
Other	-	-	-	-
Transfers	2,532,118	2,269,701	2,679,135	2,670,418
Total Business-Type Activities	2,532,118	2,269,701	2,755,195	2,804,854
Total Primary Government General Revenues and Other Changes in Net Assets	$ 15,674,798	$ 14,761,392	$ 15,533,571	$ 17,995,055
Changes in Net Assets				
Governmental Activities [1] [2]	$ 353,592	$ 554,647	$ (1,152,656)	$ (399,812)
Business-Type Activities [1] [2]	51,138	(813,494)	(1,085,211)	205,518
Total Primary Government	$ 404,730	$ (258,847)	$ (2,237,867)	$ (194,294)

(1) Beginning in fiscal year 2007, the Georgia Technology Authority is reported as an internal service fund serving primarily governmental organizations and, as such, its activity and balances are included in Governmental Activities (previously reported in Business-Type Activities).

(2) Beginning in fiscal year 2007, the funds of the State Road and Tollway Authority, a component unit, are blended with those of the primary government (previously discretely presented). As such, its activity and balances are included in both Governmental Activities and in Business-Type Activities. Beginning in fiscal year 2009, the Business-Type Activities of the State Road and Tollway Authority (previously reported in Governmental Activities) are included in nonmajor enterprise funds along with the Higher Education Facilities Authority.

Source: Financial Statements included in Current and Prior Years' *Comprehensive Annual Financial Reports* and supporting working papers (certain amounts restated for purposes of comparability)

Fiscal Year					
2007	2006	2005	2004	2003
$ 8,831,753	$ 8,104,465	$ 7,133,515	$ 6,876,663	$ 6,339,352
6,234,221	5,603,743	5,309,167	4,799,239	4,710,046
2,810,010	2,451,385	2,385,602	2,058,832	1,910,795
470,480	196,422	208,656	116,615	260,409
140,367	107,149	75,353	54,074	43,719
54,317	958,131	1,011,803	1,094,450	760,714
-	-	-	-	(907)
(2,478,882)	(2,306,278)	(2,340,526)	(2,294,450)	(2,132,446)
16,062,266	15,115,017	13,783,570	12,705,423	11,891,682
147,034	110,942	88,207	58,647	107,562
47	-	-	-	-
2,478,882	2,306,278	2,340,526	2,294,450	2,132,446
2,625,963	2,417,220	2,428,733	2,353,097	2,240,008
$ 18,688,229	$ 17,532,237	$ 16,212,303	$ 15,058,520	$ 14,131,690
$ 1,393,196	$ 943,098	$ (407,728)	$ (931,989)	$ (836,930)
504,342	348,681	272,739	221,792	(509,046)
$ 1,897,538	$ 1,291,779	$ (134,989)	$ (710,197)	$ (1,345,976)

Schedule 3
Fund Balances of Governmental Funds
For the Last Nine Fiscal Years
(modified accrual basis of accounting)
(dollars in thousands)

	2011	2010	2009	2008
General Fund				
Nonspendable	$ 94,810	$ -	$ -	$ -
Restricted	2,951,728	-	-	-
Unrestricted				
Committed	9,403	-	-	-
Assigned	256,676	-	-	-
Unassigned	401,414	-	-	-
Reserved	-	3,737,311	3,520,953	2,837,792
Unreserved	-	(41,837)	(492,520)	1,489,500
Total General Fund	$ 3,714,031	$ 3,695,474	$ 3,028,433	$ 4,327,292
All Other Governmental Funds (1)				
Nonspendable	$ 68	$ -	$ -	$ -
Restricted	1,079,604	-	-	-
Unrestricted				
Assigned	20,442	-	-	-
Reserved	-	43,114	14	14
Unreserved, Reported in				
Special Revenue Funds	-	33,319	436,838	286,451
Capital Projects Funds	-	1,323,352	1,496,019	1,195,760
Total All Other Governmental Funds	$ 1,100,114	$ 1,399,785	$ 1,932,871	$ 1,482,225

(1) Beginning in fiscal year 2007, the funds of the State Road and Tollway Authority, a component unit, are blended with those of the primary government (previously discretely presented). As such, the balances of its General Fund are included in the State's Special Revenue Funds. The Georgia Higher Education Authority, a blended component unit, was reported in the State's Capital Projects Funds in fiscal year 2008. Beginning in fiscal year 2009, the balances of this fund are included in the State's Nonmajor Enterprise Funds.

Source: Financial Statements included in Current and Prior Years' *Comprehensive Annual Financial Reports* (certain amounts restated for purposes of comparability)

Fiscal Year					
2007	2006	2005	2004	2003
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
3,487,699	3,342,233	3,430,424	3,319,425	2,944,712
2,077,088	924,590	335,828	228,852	421,985
$ 5,564,787	$ 4,266,823	$ 3,766,252	$ 3,548,277	$ 3,366,697
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
14	1,028	1,027	1,639	116,698
187,585	1,219	-	-	-
1,476,288	1,207,665	804,079	1,236,105	1,355,723
$ 1,663,887	$ 1,209,912	$ 805,106	$ 1,237,744	$ 1,472,421

Schedule 4
Changes in Fund Balances of Governmental Funds
For the Last Nine Fiscal Years
(modified accrual basis of accounting)
(dollars in thousands)

	2011	2010	2009	2008
Revenues				
Taxes				
Personal Income	$ 7,797,739	$ 7,109,984	$ 7,794,606	$ 8,834,591
Sales - General	5,133,404	5,196,117	5,080,946	5,760,691
Other Taxes	2,330,338	2,334,928	2,370,848	2,694,710
Licenses and Permits	581,994	507,764	667,363	682,940
Intergovernmental - Federal	14,709,708	16,456,059	13,417,524	11,623,735
Intergovernmental - Other	652,244	569,179	360,531	405,077
Sales and Services	471,236	490,954	392,097	376,674
Fines and Forfeits	458,341	300,032	335,485	321,804
Interest and Other Investment Income	12,930	41,535	138,077	240,337
Unclaimed Property	98,098	85,277	35,356	58,857
Lottery Proceeds	846,106	883,882	872,136	867,686
Nursing Home Provider Fees	128,771	122,047	122,623	133,974
Hospital Provider Payments	215,080	-	-	-
Other	94,327	96,393	157,741	152,296
Total Revenues	33,530,316	34,194,151	31,745,333	32,153,372
Expenditures				
Current				
General Government	873,658	860,558	1,250,409	1,251,265
Education	9,981,903	10,719,216	10,083,963	10,481,854
Health and Welfare	14,721,528	14,211,763	13,097,393	12,475,474
Transportation	1,699,712	2,127,591	2,725,244	3,256,231
Public Safety	1,874,257	1,895,659	1,976,831	2,035,807
Economic Development and Assistance	836,341	787,261	718,858	816,766
Culture and Recreation	275,974	275,746	306,434	315,578
Conservation	51,573	62,430	65,007	69,883
Capital Outlay	882,731	500,166	560,229	471,251
Debt Service				
Principal	845,300	804,560	801,565	750,909
Interest	493,845	485,195	469,281	434,494
Other Charges	57,923	42,203	36,059	(2,342)
Intergovernmental	153,190	220,118	377,607	341,524
Total Expenditures	32,747,935	32,992,466	32,468,880	32,698,694
Excess (Deficiency) of Revenues Over (Under) Expenditures	782,381	1,201,685	(723,547)	(545,322)
Other Financing Sources (Uses)				
General Obligation Bonds Issuance	653,925	793,855	1,445,645	946,035
Refunding Bonds Issuance	344,420	640,825	149,730	-
Revenue Bond Issuance	-	-	600,000	600,000
Premium on General Obligation Bonds Sold	32,170	25,206	84,867	16,828
Premium on Refunding Bonds Sold	55,821	112,131	21,730	-
Premium on Revenue Bonds Sold	-	-	57,683	39,911
Accrued Interest on Refunding Bonds Sold	-	-	-	-
Accrued Interest on Revenue Bonds Sold	-	-	538	-
Payment to Refunded Bond Escrow Agent	(398,339)	(750,209)	(171,307)	-
Proceeds from Disposition of General Capital Assets	-	-	-	1,661
Capital Leases	25,851	6,201	2,259	825
Other Financing Agreements	-	-	-	-
Transfers In	1,467,443	1,959,530	2,151,031	2,121,862
Transfers Out	(3,532,786)	(3,923,140)	(4,466,328)	(4,599,625)
Net Other Financing Sources (Uses)	(1,351,495)	(1,135,601)	(124,152)	(872,503)
Special Item	288,000	-	-	-
Other Adjustments to Fund Balance	-	-	-	(1,332)
Net Change in Fund Balance	$ (281,114)	$ 66,084	$ (847,699)	$ (1,419,157)
Debt Service Expenditures as a Percentage of Noncapital Expenditures[1]	4.67%	4.32%	4.37%	3.98%

(1) Noncapital expenditures are calculated as total expenditures less capital outlay expenditures less capital expenditures in current expenditure functions. Capital expenditures in current expenditure functions are identified in the process of reconciling Governmental Funds to Governmental Activities.

Source: Financial Statements included in Current and Prior Years' *Comprehensive Annual Financial Reports* and supporting working papers

Fiscal Year

2007	2006	2005	2004	2003
$ 8,831,754	$ 8,104,465	$ 7,133,515	$ 6,876,663	$ 6,339,352
6,234,221	5,603,743	5,309,167	4,799,240	4,710,046
2,810,010	2,451,385	2,385,603	2,058,832	1,910,795
649,930	539,158	496,178	452,008	425,770
10,648,457	10,024,646	10,152,667	10,226,522	8,905,213
401,637	117,040	-	-	-
687,277	994,996	1,732,902	1,657,989	1,148,835
344,139	303,788	265,708	238,662	270,341
443,226	186,974	103,155	36,427	191,237
140,367	107,149	75,353	54,074	43,719
853,641	822,797	802,083	801,381	751,557
111,768	95,607	99,271	92,768	-
-	-	-	-	-
258,313	386,791	212,886	108,653	344,530
32,414,740	29,738,539	28,768,488	27,403,219	25,041,395
1,207,057	1,158,810	1,088,655	978,666	997,061
9,945,327	9,031,188	8,359,398	8,014,842	7,948,434
11,724,373	11,270,055	11,861,217	11,374,111	10,249,541
2,628,075	2,079,873	1,804,448	1,701,666	1,681,771
1,841,350	1,788,074	1,696,260	1,692,289	1,755,103
739,998	685,680	688,658	728,330	742,169
293,620	282,422	246,261	240,504	236,631
101,773	61,041	57,677	48,624	56,668
474,050	478,109	485,995	837,904	825,245
679,216	570,042	524,583	507,110	511,006
409,632	324,893	332,808	343,489	344,757
(10,855)	(2,497)	1,037	3,802	(5,833)
324,056	243,347	-	-	-
30,357,672	27,971,037	27,146,997	26,471,337	25,342,553
2,057,068	1,767,502	1,621,491	931,882	(301,158)
1,410,648	1,236,010	206,875	955,395	552,514
213,720	425,000	458,605	-	-
450,000	-	-	-	-
3,894	4,040	4,815	-	-
18,922	46,399	61,957	-	-
19,967	-	-	-	-
742	-	-	-	-
-	-	-	-	-
(235,516)	(469,479)	(519,316)	-	-
-	600	-	2,191	5,228
777	1,085	1,644	323	1,796
-	-	-	-	-
1,925,552	1,022,503	1,023,279	943,719	956,732
(4,211,954)	(3,165,858)	(3,050,444)	(2,906,674)	(2,898,429)
(403,248)	(899,700)	(1,812,585)	(1,005,046)	(1,382,159)
-	-	-	-	-
98,119	37,112	(23,569)	(461)	(1,077)
$ 1,751,939	$ 904,914	$ (214,663)	$ (73,625)	$ (1,684,394)
3.85%	3.44%	3.28%	3.45%	3.60%

Schedule 5
Revenue Base - Personal Income by Industry
For the Last Ten Calendar Years
(dollars in millions)

	2010	2009	2008	2007
Accommodation and Food Services	$ 7,786	$ 7,533	$ 7,776	$ 7,899
Administrative and Waste Services	11,784	10,975	11,967	11,908
Arts, Entertainment and Recreation	2,064	2,098	2,130	2,093
Construction	11,976	12,724	15,406	16,526
Educational Services	4,022	3,815	3,671	3,465
Farm Earnings	2,357	2,104	2,592	1,872
Federal Government - Civilian	10,233	9,939	9,638	9,310
Federal Government - Military	9,436	8,930	8,443	7,510
Finance and Insurance	15,112	15,354	16,285	16,223
Forestry, Fishing and Related Activities	767	707	705	713
Health Care and Social Assistance	24,893	23,756	22,631	21,437
Information	12,654	12,598	13,173	12,850
Management of Companies and Enterprises	5,561	5,441	5,399	5,777
Manufacturing	23,834	23,517	25,815	26,208
Mining	498	478	559	581
Other Services, Except Public Administration	8,793	8,663	8,844	9,126
Professional and Technical Services	25,121	24,531	25,404	22,956
Real Estate, Rental and Leasing	4,398	4,583	4,927	5,099
Retail Trade	15,624	15,283	16,204	16,910
State and Local Government	28,975	29,607	29,559	27,990
Transportation and Warehousing	11,611	11,118	11,860	11,776
Utilities	2,505	2,734	2,667	2,398
Wholesale Trade	16,853	16,483	17,843	17,937
Other	86,960	82,496	79,437	72,138
Total Personal Income	$ 343,817	$ 335,467	$ 342,935	$ 330,702
Average Effective Rate[(1)]	2.1%	2.3%	2.6%	2.7%

(1) The total direct rate for personal income is not available. The average effective rate was calculated by dividing personal income tax collections on a fisca year basis (see Schedule 4) by total personal income on a calendar year basis.

Source: U. S. Department of Commerce, Bureau of Economic Analysis

Calendar Year

2006	2005	2004	2003	2002	2001
$ 7,436	$ 7,038	$ 6,734	$ 6,249	$ 5,809	$ 5,699
11,521	10,943	9,916	8,977	8,449	8,284
1,905	1,843	1,766	1,841	1,899	1,734
16,528	15,419	14,544	13,444	12,869	12,866
3,243	2,842	2,734	2,520	2,425	2,319
1,589	2,478	2,163	2,147	1,636	2,212
8,832	8,382	7,833	7,458	7,104	6,577
7,017	6,590	5,848	5,420	4,730	4,207
15,590	14,411	13,466	12,504	12,060	11,624
722	664	649	584	585	638
20,069	18,986	17,959	16,631	15,447	14,363
12,099	11,476	11,330	11,170	11,095	11,355
5,432	5,792	4,883	4,351	4,463	4,791
26,508	25,513	25,153	24,121	23,704	23,990
583	532	522	478	456	462
8,516	8,121	7,591	7,318	7,186	6,344
21,152	19,435	17,782	16,966	16,487	16,701
5,792	5,698	5,240	4,819	4,732	4,726
16,425	15,677	14,963	14,640	14,085	13,870
26,451	24,937	23,662	22,827	21,498	20,143
10,402	10,335	10,489	9,872	9,444	9,526
2,492	2,178	2,182	2,105	2,052	1,965
16,986	15,974	14,878	13,875	13,883	14,002
64,565	57,280	50,666	48,850	49,119	47,431
$ 311,855	$ 292,544	$ 272,953	$ 259,167	$ 251,217	$ 245,829
2.6%	2.4%	2.5%	2.4%	2.6%	2.8%

Schedule 6
Personal Income Tax Rates by Filing Status and Income Level
For the Last Ten Calendar Years

Filing Status Georgia Taxable Net Income Level	2002 - 2011
Single	
Not Over $750	1%
Over $750 But Not Over $2,250	$7.50 Plus 2% of Amount Over $750
Over $2,250 But Not Over $3,750	$37.50 Plus 3% of Amount Over $2,250
Over $3,750 But Not Over $5,250	$82.50 Plus 4% of Amount Over $3,750
Over $5,250 But Not Over $7,000	$142.50 Plus 5% of Amount Over $5,250
Over $7,000	$230.00 Plus 6% of Amount Over $7,000
Married Filing Separately	
Not Over $500	1%
Over $500 But Not Over $1,500	$5.00 Plus 2% of Amount Over $500
Over $1,500 But Not Over $2,500	$25.00 Plus 3% of Amount Over $1,500
Over $2,500 But Not Over $3,500	$55.00 Plus 4% of Amount Over $2,500
Over $3,500 But Not Over $5,000	$95.00 Plus 5% of Amount Over $3,500
Over $5,000	$170.00 Plus 6% of Amount Over $5,000
Head of Household and Married Filing Jointly	
Not Over $1,000	1%
Over $1,000 But Not Over $3,000	$10.00 Plus 2% of Amount Over $1,000
Over $3,000 But Not Over $5,000	$50.00 Plus 3% of Amount Over $3,000
Over $5,000 But Not Over $7,000	$110.00 Plus 4% of Amount Over $5,000
Over $7,000 But Not Over $10,000	$190.00 Plus 5% of Amount Over $7,000
Over $10,000	$340.00 Plus 6% of Amount Over $10,000

Source: OCGA Section 48-7-20, Paragraph (b)(1)

Schedule 7
Personal Income Tax Filers and Liability by Income Level
For Calendar Years 2009(1) and 2000
(dollars, except income level, are in thousands)

	2009(1)			
Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$1,000 and under (2)	675,065	16.2%	$ 374,507	5.3%
$1,001 to $5,000	223,188	5.4%	1	0.0%
$5,001 to $10,000	348,296	8.4%	9,680	0.1%
$10,001 to $15,000	364,536	8.7%	44,640	0.6%
$15,001 to $20,000	324,943	7.8%	96,325	1.4%
$20,001 to $25,000	285,204	6.8%	142,533	2.0%
$25,001 to $30,000	241,483	5.8%	173,445	2.5%
$30,001 to $50,000	626,357	15.0%	768,364	10.9%
$50,001 to $100,000	681,045	16.3%	1,791,559	25.3%
$100,001 to $500,000	380,045	9.1%	2,682,564	37.9%
$500,001 to $1,000,000	11,528	0.3%	387,881	5.5%
$1,000,001 and higher	4,808	0.1%	607,521	8.6%
Totals	4,166,498	100.0%	$ 7,079,021	100.0%

	2000			
Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$1,000 and under (2)	337,788	9.3%	$ 334,691	5.3%
$1,001 to $5,000	298,052	8.2%	71	0.0%
$5,001 to $10,000	358,595	9.9%	9,248	0.1%
$10,001 to $15,000	323,627	8.9%	44,575	0.7%
$15,001 to $20,000	300,718	8.3%	100,288	1.6%
$20,001 to $25,000	268,421	7.4%	152,084	2.4%
$25,001 to $30,000	224,774	6.2%	180,642	2.8%
$30,001 to $50,000	610,677	16.8%	796,811	12.5%
$50,001 to $100,000	631,261	17.4%	1,660,425	26.1%
$100,001 to $500,000	259,503	7.2%	1,914,307	30.1%
$500,001 to $1,000,000	10,445	0.3%	365,050	5.7%
$1,000,001 and higher	5,429	0.1%	803,072	12.6%
Totals	3,629,290	100.0%	$ 6,361,264	100.0%

(1) Most recent available data.
(2) Category also includes payments from out-of-state residents and partial-year payers

Source: Georgia Department of Revenue Annual Statistical Report

Schedule 8
Ratios of Outstanding Debt by Type
For the Last Nine Fiscal Years
(dollars in thousands, except per capita amounts)

Fiscal Year	Governmental Activities [1]				
	General Obligation Bonds	General State Bond Debt	Revenue Bonds	Capital Leases	Notes and Loans
2011	$ 8,774,586	$ -	$ 1,848,570	$ 223,429	$ 19,600
2010	8,837,728	-	2,009,489	242,430	27,614
2009	8,725,198	-	2,169,235	3,266	27,698
2008	7,927,420	-	1,617,932	5,184	32,820
2007	7,688,919	-	1,037,993	8,162	568
2006	6,909,343	-	-	4,748	796
2005	6,238,934	-	-	5,122	3,583
2004	6,513,380	16	-	4,892	2,506
2003	6,083,975	16	-	5,424	2,570

(1) Beginning in fiscal year 2007, the funds of the State Road and Tollway Authority, a component unit, are blended with those of the primary government (previously discretely presented). As such, its activity and balances are included in both Governmental Activities and in Business-Type Activities.

(2) See Schedule 11 (Population/Demographics) for personal income and population data.

Source: Financial Information included in Current and Prior Years' *Comprehensive Annual Financial Reports*

Business-Type Activities [1]			Less:			
Revenue Bonds	Capital Leases	Notes and Loans	Net Assets Restricted to Guaranteed Revenue Debt	Total Primary Government	Percentage of Personal Income[2]	Outstanding Debt Per Capita[2]
$ 328,597	$ 3,170,521	$ 734,189	$ (54,003)	$ 15,045,489	4.38%	$ 1,518.5
213,814	2,648,321	424,424	(62,886)	14,340,934	4.27%	1,461.3
121,736	2,240,418	8,733	(62,887)	13,233,397	3.86%	1,365.6
31,628	1,795,234	9,170	(63,084)	11,356,304	3.43%	1,192.1
38,540	1,201,524	9,477	(63,084)	9,922,099	3.18%	1,064.2
-	839,926	2,618	-	7,757,431	2.65%	853.4
-	678,055	4,244	-	6,929,938	2.54%	778.0
-	479,272	2,512	-	7,002,578	2.70%	802.3
-	186,428	2,845	-	6,281,258	2.50%	731.8

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Schedule 9
Ratios of General Bonded Debt Outstanding
For the Last Nine Fiscal Years
(dollars in thousands, except per capita amounts)

Fiscal Year	Net General Bonded Debt[1]	Percentage of Personal Income[2]	Outstanding Debt Per Capita[2]
2011	$ 10,623,156	3.09%	$ 1,072.14
2010	10,847,217	3.23%	1,105.33
2009	10,894,433	3.18%	1,124.26
2008	9,513,896	2.88%	998.66
2007	8,702,368	2.79%	933.37
2006	6,909,343	2.36%	760.06
2005	6,238,934	2.29%	700.43
2004	6,513,396	2.51%	746.28
2003	6,083,991	2.42%	708.86

(1) Beginning in fiscal year 2007, the funds of the State Road and Tollway Authority, a component unit, are blended with those of the primary government (previously discretely presented). As such, its activity and balances are included in both Governmental Activities and in Business-Type Activities.

(2) See Schedule 11 (Population/Demographics) for personal income and population data.

Source: Financial Information included in Current and Prior Years' *Comprehensive Annual Financial Reports*

Schedule 10
Computation of Legal Debt Margin
For the Last Ten Fiscal Years
(in whole dollars)

	2011	2010	2009	2008
Revenue Base:				
Treasury Receipts for the Preceding Fiscal Year[1]	$ 16,251,240,187	$ 17,841,693,806	$ 19,789,800,881	$ 19,895,976,559
Debt Limit Amount:				
Highest Aggregate Annual Commitments (Principal and Interest) Permitted Under Constitutional Limitation (10% of above)	$ 1,625,124,019	$ 1,784,169,381	$ 1,978,980,088	$ 1,989,597,656
Debt Applicable to the Limit:				
Highest Total Annual Commitments in Current or any Subsequent Fiscal Year [3]	1,192,462,626	1,217,068,109	1,164,562,193	1,085,762,485
Legal Debt Margin	$ 432,661,393	$ 567,101,272	$ 814,417,895	$ 903,835,171
Total Debt Applicable to the Limit as a Percentage of Debt Limit Amount	73.4%	68.2%	58.8%	54.6%

(1) Includes Indigent Care Trust Fund Receipts, Brain and Spinal Injury Trust Fund Receipts, Lottery Proceeds and Tobacco Settlement Funds

(2) Interest on Guaranteed Revenue Debt Common Reserve Funds included from this point forward.

(3) Includes issued and outstanding debt as of the end of each fiscal year and does not include appropriated debt service for any authorized but unissued general obligation (and guaranteed revenue) bonds.

Source: Prior Year's Comprehensive Annual Financial Reports, other annual state reports, Georgia State Financing and Investment Commission, Constitution of the State of Georgia.

Note: The Constitution of the State of Georgia limits the combined total of highest annual debt service requirements for general obligation and guaranteed revenue debt to 10 percent of the prior year's revenue collections.

Fiscal Year						
2007	2006	2005 [2]	2004	2003	2002
$ 18,343,186,033	$ 16,789,925,631	$ 15,530,262,707	$ 14,737,541,220	$ 15,126,479,334	$ 15,768,578,047
$ 1,834,318,603	$ 1,678,992,563	$ 1,553,026,271	$ 1,473,754,122	$ 1,512,647,933	$ 1,576,857,805
1,038,052,566	935,230,555	932,636,053	959,876,954	819,243,571	881,667,486
$ 796,266,037	$ 743,762,008	$ 620,390,218	$ 513,877,168	$ 693,404,362	$ 695,190,319
56.6%	55.7%	60.1%	65.1%	54.2%	55.9%

Schedule 11
Population/Demographics
For the Last Ten Calendar Years

Year	Population	Personal Income (in millions)	Per Capita Personal Income	Public School Enrollment	Unemployment Rate
2010	9,908,357	$ 343,817	$ 34,700	1,665,557	10.2%
2009	9,813,588	335,466	34,184	1,656,689	9.7%
2008	9,690,277	342,935	35,390	1,642,033	6.3%
2007	9,526,642	330,702	34,713	1,634,255	4.7%
2006	9,323,575	311,855	33,448	1,618,869	4.7%
2005	9,090,479	292,544	32,181	1,588,803	5.2%
2004	8,907,292	272,953	30,644	1,544,044	4.7%
2003	8,727,810	259,167	29,694	1,513,521	4.8%
2002	8,582,756	251,217	29,270	1,486,694	4.8%
2001	8,418,687	245,829	29,200	1,459,827	4.0%

Sources: Population - U. S. Department of Commerce, Bureau of the Census (midyear population estimates)
Personal Income - U. S. Department of Commerce, Bureau of Economic Analysis
Public School Enrollment - Georgia Department of Education (March of each school year)
Unemployment Rate - U. S. Department of Labor (annual average)

Schedule 12
Principal Private Sector Employers
Fiscal Year 2011 and Nine Years Previous (2002)

2011 Employers	2002 Employers
Delta Air Lines, Incorporated	BellSouth Corporation
Emory Health Care	Delta Air Lines, Incorporated
Emory University	Emory Health Care
Georgia Power Company	Georgia-Pacific Corporation
GMRI, Incorporated	Mohawk Industries
Lockheed Martin Corporation	Promina Health System
Lowe's Home Centers	Publix Supermarkets, Incorporated
Mohawk Carpet	Shaw Industries, Incorporated
Publix Supermarkets, Incorporated	The Home Depot
Shaw Industries, Incorporated	The Southern Company/Georgia Power Company
Target	United Parcel Service
The Home Depot	Wal-Mart Stores, Incorporated
The Kroger Company	
United Parcel Service	
Wal-Mart Stores, Incorporated	
Wellstar Health System	

To protect employer confidentiality, Georgia law prohibits the release of employee numbers by employer.

Sources: Employers - Georgia Department of Labor
2011 Employment based on 3 month average

Schedule 13
State Government Employment by Function
For the Last Ten Fiscal Years (1)

	2011	2010	2009	2008
Governmental Activities				
General Government	9,658	9,103	8,425	9,151
Education	1,213	1,399	1,156	1,186
Health and Welfare	18,616	27,653	22,629	23,430
Transportation	5,273	5,363	5,340	5,745
Public Safety	21,997	25,014	21,829	23,850
Economic Development and Assistance	5,144	5,375	4,636	4,650
Culture and Recreation	2,548	3,184	2,785	3,160
Conservation	686	845	746	776
	65,135	77,936	67,546	71,948
Business-Type Activities (2)				
Georgia Technology Authority (3)	-	-	-	-
Higher Education Fund	79,174	96,739	85,193	86,579
State Road and Tollway Authority (4)	52	64	53	43
	79,226	96,803	85,246	86,622
Total Employment	144,361	174,739	152,792	158,570

(1) Includes employees that were active at any time during the Fiscal Year. An individual employee may, therefore, be included in multiple functions if the employee transferred among functions during the fiscal year. This does not represent the number of active employees at the end of the year.

(2) Employees of certain Business-Types Activities organizations are included in Governmental Activities as follows:
Employees of the State Employees' Health Benefit Plan are included as employees of the Department of Community Health in Health and Welfare.
Employees of the Unemployment Compensation Fund are included as employees of the Department of Labor in Economic Development and Assistance.

(3) Beginning in fiscal year 2007, the Georgia Technology Authority is reported as an internal service fund serving primarily governmental organizations and, as such, its employees are included in Governmental Activities - General Government

(4) Beginning in fiscal year 2007, the State Road and Tollway Authority, formerly a discretely presented component unit, is blended with the primary government. Although the Authority performs both governmental and business-type activities, the majority of its employee are involved in the business-type activities.

Source: Georgia Department of Audits and Accounts

Fiscal Year

2007	2006	2005	2004	2003	2002
9,240	6,779	7,352	6,927	6,857	6,326
1,160	1,129	1,156	1,011	925	942
22,732	22,170	22,081	19,918	12,048	10,601
5,849	5,769	5,850	5,844	5,916	6,083
23,115	23,266	22,949	23,077	23,586	22,751
4,584	4,589	4,614	4,675	4,729	4,112
3,023	2,945	2,927	2,864	2,956	2,119
776	742	726	1,065	765	746
70,479	67,389	67,655	65,381	57,782	53,680
-	562	630	650	732	762
84,795	82,200	81,893	79,160	80,222	71,644
51	-	-	-	-	-
84,846	82,762	82,523	79,810	80,954	72,406
155,325	150,151	150,178	145,191	138,736	126,086

Schedule 14
Operating Indicators and Capital Assets by Function
For the Last Ten Years (1)

	2011	2010	2009	2008
General Government				
Department of Revenue				
Number of Personal Income Tax Filers	NCA	NCA	4,166,498	4,229,929
Education				
Department of Education				
Public School Enrollment (March FTE Count)				
Pre Kindergarten through Grade 5	828,005	825,044	818,709	812,311
Grades 6 through 8	376,315	371,759	367,453	368,734
Grades 9 through 12	461,237	459,886	455,871	453,210
Board of Regents of the University System of Georgia				
Number of Separate Institutions	35	35	35	35
Number of Active Educators	13,311	12,828	11,654	11,422
Number of Students	311,442	301,892	282,978	270,022
Health and Welfare				
Department of Human Services				
Food Stamp Recipients	NCA	1,389,935	1,202,181	986,245
Temporary Assistance for Needy Families Recipients	NCA	90,581	38,824	40,609
Transportation				
Department of Transportation				
Miles of State Highway	17,985	18,093	18,095	18,096
Public Safety				
Department of Corrections				
Number of Inmates	55,162	52,291	54,049	54,016
Number of Probationers	156,630	154,989	154,218	148,629
Economic Development and Assistance				
Department of Economic Development				
Economic Impact of Tourism (in millions):				
Domestic Traveler Spending - Direct	NCA	$ 18,906	$ 17,570	$ 19,026
Domestic Travel-Generated State Tax Revenues	NCA	$ 855	$ 816	$ 851
Culture and Recreation:				
Department of Natural Resources				
Number of State Parks	48	48	48	48
Number of Historic Sites	18	15	15	15
Acreage of State Parks and Historic Sites (in acres)	86,000+	84,000+	85,000+	82,000+
Conservation				
Forestry Commission				
Economic Impact of Forestry Industry				
Output (in millions)	NCA	NCA	$ 16,900	$ 18,300
Employment	NCA	NCA	48,519	57,812
Compensation (in millions)	NCA	NCA	$ 2,800	$ 3,100

(1) Data is presented by either fiscal year or calendar year based on availability of information.

Source: NCA - Not Currently Available
Information obtained from the individual organizations listed.

Fiscal Year					
2007	2006	2005	2004	2003	2002
4,273,200	4,046,275	3,838,000	3,777,000	3,692,000	3,658,705
801,307	782,428	757,383	745,115	735,821	730,948
371,020	369,809	367,122	364,051	358,592	349,056
446,539	436,566	419,539	404,355	392,281	379,823
35	35	35	34	34	34
11,082	9,721	9,335	8,981	8,870	9,063
259,945	253,552	250,659	247,020	233,098	217,546
947,146	947,683	908,073	847,886	700,876	576,522
47,395	68,993	99,370	135,515	138,624	130,409
18,066	18,084	18,084	18,084	18,019	18,055
53,226	52,635	47,304	48,619	47,111	46,937
142,663	136,175	115,177	128,395	130,505	121,500
$ 18,680	$ 17,743	$ 16,572	$ 15,390	$ 14,524	$ 13,873
$ 845	$ 812	$ 779	$ 740	$ 709	$ 683
48	48	48	48	48	58
15	15	15	15	15	15
82,000+	72,835	72,835	72,835	72,835	68,271
$ 18,500	$ 17,760	$ 16,150	$ 14,163	$ 12,679	$ 16,085
64,192	67,733	67,694	67,633	65,706	70,715
$ 3,400	$ 3,513	$ 3,422	$ 3,299	$ 3,007	$ 3,241